



Minutes of the Council Meeting held in the Council Chambers on Wednesday, 18th May, 2016 commencing at 9.20 am.

Min. No. **Present:** Cr. Bernard Curtin (Mayor)
Crs: John Bruce, Matthew Hannan, Brian Hill, Colin Jones, Daryll Morris, Andrea O'Neill, Strategic and Social Planning Officer (Jo Ruffin), Director of Corporate Services (Matthew Hansen), Director Technical Services (Fred Exton), Development Manager (Laurie Stevens) and General Manager (Rowan Perkins).

Apology
101 **RESOLVED** Crs: Jones and Morris that an apology for non attendance be received from Cr Denis Glanville.

Declaration of Items of Pecuniary and other Interests
nil

4. CONFIRMATION OF MINUTES
102 **RESOLVED** Crs: Hill and Morris that the Minutes of the meeting held in the Council Chambers on Wednesday 20th April, 2016 be confirmed.

5.1 FINANCE – ACCOUNTS

AUTHOR: Finance Manager

STRATEGIC OUTCOME: Good government

STRATEGIC OBJECTIVE: 2.2 Ensure effective governance by Council of Council operations and reporting

103 **RESOLVED** Crs: Hannan and Jones that the Financial Statement, Bank Reconciliation Certificate and Petty Cash Book made up to 30 April 2016, be received and that the accounts paid as per Warrant No. 04/16 totalling \$1,690,926.99 be confirmed.

Min. No.

5.2 LEGAL DOCUMENTS TO BE SIGNED UNDER SEAL OF COUNCIL

AUTHOR: Director Technical Services

STRATEGIC OUTCOME: Good government

STRATEGIC OBJECTIVE: 2.2 Ensure effective governance by Council of Council operations and reporting

FILE NO: 30.160.3

- 104 RESOLVED** Crs: Jones and Hill that the Council sign and seal an Agreement with Sportaviation Pty Ltd and James E Madden to provide "Reporting Officer" services to the Council for the Tocumwal Aerodrome and Lease agreement for Tocumwal Caravan Park with Alkeen Pty Ltd for a period of 20 years.

5.3 Operational Plan Quarterly Review

AUTHOR: Strategic & Social Planning Coordinator

STRATEGIC OUTCOME: Good government

STRATEGIC OBJECTIVE: 2.1 Berrigan Shire 2023 objective and strategies inform Council planning and community led projects

FILE NO: 04.121.4

- 105 RESOLVED** Crs: O'Neill and Jones that the Council note the March 2016 Quarter Progress Report of the Annual Operational Plan 2015/16 circulated as Appendix "B".

5.4 AUDITOR LETTER OF ENGAGEMENT

AUTHOR: Director Corporate Services

STRATEGIC OUTCOME: Good government

STRATEGIC OBJECTIVE: 2.2 Ensure effective governance by Council of Council operations and reporting

FILE NO: 12.019.1

- 106 RESOLVED** Crs: O'Neill and Morris that the Council accept the Audit Letter of Engagement attached and delegate the General Manager to sign the letter on behalf of the Council.

- 3 Minutes of the Ordinary Council meeting held in the Council Chambers on Wednesday, 18th May, 2016.
-

Min. No.

5.5 ANNUAL REPORTING OF CONTRACT CONDITIONS FOR SENIOR STAFF

AUTHOR: General Manager

STRATEGIC OUTCOME: Good government

STRATEGIC OBJECTIVE: 2.2 Ensure effective governance by Council of Council operations and reporting

FILE NO: 22.155.1

- 107 RESOLVED** Crs: O'Neill and Hill that the Council note the report pursuant to S339 of the Local Government Act regarding the contract conditions of senior staff.

5.6 CORELLA CONTROL

AUTHOR: General Manager

STRATEGIC OUTCOME: Sustainable natural and built landscapes

STRATEGIC OBJECTIVE: 1.2 Retain the diversity and preserve the health of our natural landscapes and wildlife

FILE NO: 11.011.4

- 108 RESOLVED** Crs: Morris and O'Neill that the Council advise the Tocumwal Chamber of Commerce and Tourism that it has inspected the grain handling facility at Tocumwal and has no significant concerns regarding its attraction to corellas.

The Mayor here congratulated the General Manager and staff regarding the response to the merger proposal and that Berrigan Shire will remain a stand alone Council as declared by the State Government on 12th May, 2016.

5.7 AUSTRALIAN LOCAL GOVERNMENT ASSOCIATION – FEDERAL ELECTION PRIORITIES

AUTHOR: General Manager

STRATEGIC OUTCOME: Good government

STRATEGIC OBJECTIVE: 2.2 Ensure effective governance by Council of Council operations and reporting

FILE NO: 14.064.1

- 109 RESOLVED** Crs: Morris and Jones that the Council support the federal election priorities developed by the Australian Local Government Association and also include as Council priorities the

- 4 Minutes of the Ordinary Council meeting held in the Council Chambers on Wednesday, 18th May, 2016.
-

Min. No.

reform of proposed backpacker tax and reform of Commonwealth legislation to ensure an effective triple bottom line assessment for all Murray Darling Basin authority actions and lobby the Commonwealth Minister for Territories, Local Government and Major Projects and the member for Farrar accordingly and;

5.8 CONTRIBUTION – LEGAL EXPENSES

AUTHOR: Director Corporate Services

STRATEGIC OUTCOME: Good government

STRATEGIC OBJECTIVE: 2.3 Strengthen strategic relationships and partnerships with community, business and government

FILE NO: 14.165.7

- 110 RESOLVED** Crs: O'Neill and Morris that the Council contribute \$591.36 to Local Government NSW towards the legal expenses of Bathurst Regional Council as requested.

5.9 DRAFT INTEGRATED PLANS

AUTHOR: Strategic & Social Planning Coordinator

STRATEGIC OUTCOME: Good government

STRATEGIC OBJECTIVE: 2.1 Berrigan Shire 2023 objective and strategies inform Council planning and community led projects

FILE NO: 04.121.4

- 111 RESOLVED** Crs: Morris and Jones that the Council:
1. Adopt, in accordance with Section 333 of the Local Government Act 1993, the Council's Organisation Structure as at 1 April 2016 included in Council's review of its *Workforce Management Strategy and Plan 2013 – 2017* a sub plan of Council's Resourcing Strategy Appendix "I".
 2. Adopt its Review of the *Resourcing Strategy 2016 – 2026* inclusive of Council's *Long Term Financial Strategy and Plan 2016 – 2026* Appendix "J".
 - *Asset Management Strategy and Plan 2013 – 2023* Appendix "K"; and
 - *Workforce Management Strategy and Plan 2013 – 2017*; Appendix "I"

Min. No.

3. Adopt its Review of the *Delivery Program 2013 – 2017* Appendix “L”
4. Adopt the draft *Rating and Revenue Policy 2016 – 2017* Appendix “M”
5. Adopt the draft *Annual Operational Plan 2016 – 2017* Appendix “ N”
6. Receive and consider at its meeting to be held 15 June 2016 any public submissions received in relation to its:
 - Review of the *Resourcing Strategy 2016 – 2026*
 - Review of the *Delivery Program 2013 – 2017*
 - The draft *Rating and Revenue Policy 2016 – 2017*
 - The draft *Annual Operational Plan 2016 – 2017*
 - The draft *Fees and Charges 2016 – 2017* included in Council’s draft Annual Operational Plan 2016 – 2017

The Strategic and Social Planning Officer left the Chamber at 10.05 am.

ITEMS FOR NOTING

- 6.1 RIVERINA INSTITUTE OF TAFE
- 6.2 MURRAY DARLING ASSOCIATION STRATEGIC PLAN 2016 - 2019
- 6.3 WORK HEALTH AND SAFETY COMMITTEE
- 6.4 DEVELOPMENT DETERMINATIONS FOR MONTH OF APRIL 2016

112 **RESOLVED** Crs: O’Neill and Jones that Items for Noting numbered 6.1 to 6.4 Inclusive be received and noted.

7 CLOSED COUNCIL

In accordance with the *Local Government Act 1993* and the Local Government (General) Regulation 2005, in the opinion of the General Manager, the following business is of a kind as referred to in section 10A(2) of the Act, and should be dealt with in a part of the meeting closed to the media and public.

Set out below is section 10A(2) of the *Local Government Act 1993* in relation to matters which can be dealt with in the closed part of a meeting.

Min. No.

The matters and information are the following:

- (a) personnel matters concerning particular individuals (other than councillors)
- (b) the personal hardship of any resident or ratepayer
- (c) information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business
- (d) commercial information of a confidential nature that would, if disclosed:
 - (i) prejudice the commercial position of the person who supplied it, or
 - (ii) confer a commercial advantage on a competitor of the council, or
 - (iii) reveal a trade secret
- (e) information that would, if disclosed, prejudice the maintenance of law
- (f) matters affecting the security of the council, councillors, council staff or council property
- (g) advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the grounds of legal professional privilege
- (h) information concerning the nature and location of a place or an item of Aboriginal significance on community land.

7.1 WRITING OFF OF INTEREST CHARGES

This item is classified CONFIDENTIAL under section 10A(2)(b) of the *Local Government Act 1993*, which permits the meeting to be closed to the public for business relating to the following:

- (b) the personal hardship of any resident or ratepayer

It is not in the public interest to reveal the personal details of the ratepayer.

- 113 RESOLVED** Crs: Hannan and O'Neill that the Council move into a closed session to consider the following business together with any reports tabled at the meeting.

And further that pursuant to section 10A(1)-(3) of the *Local Government Act 1993*, the media and public be excluded from the meeting on the basis that the business to be considered is classified confidential under the provisions of section 10A(2) as

- 7 Minutes of the Ordinary Council meeting held in the Council Chambers on Wednesday, 18th May, 2016.
-

Min. No.

outlined above and that the correspondence and reports relevant to the subject business be withheld from access to the media and public as required by section 11(2) of the *Local Government Act 1993*.

7.1 Writing off of Interest Charges

Council closed its meeting at 10.12 am. The public and media left the Chamber.

- 8 Minutes of the Ordinary Council meeting held in the Council Chambers on Wednesday, 18th May, 2016.
-

Min. No.

Open Council resumed at 10.24 am.

RESOLUTIONS FROM THE CLOSED COUNCIL MEETING

The following resolutions of the Council while the meeting was closed to the public were read to the meeting by the Mayor:

7. WRITING OFF OF INTEREST CHARGES

AUTHOR: Revenue Officer

STRATEGIC OUTCOME: Good government

STRATEGIC OBJECTIVE: 2.2 Ensure effective governance by Council of Council operations and reporting

FILE NO:

“that Council write off accrued interest of \$415.13 on Assessment Number 12406.”

The meeting adjourned at 10.24 am and reconvened at 10.47 am.

Min. No.

**8.1 MINUTES OF A CORPORATE SERVICES COMMITTEE
MEETING HELD ON WEDNESDAY 4th MAY, 2016**

116 **RESOLVED** Crs: Morris and Jones that recommendations numbered 1 to 4 inclusive of the Corporate Services Committee Meeting held on 4th May, 2015 be adopted.

5.1 EVENT FUNDING PROGRAM

AUTHOR: Economic Development Officer

STRATEGIC OUTCOME: Diverse and resilient business

STRATEGIC OBJECTIVE: 4.3 Diversify and promote local tourism

FILE NO: 08 063.3

RECOMMENDATION NO 1 - that the Council support the funding application made by the Tocomwal Chamber of Commerce to support part of the advertising campaign for Winterfest 2016 to \$1800.00.

**5.2 FINANCIAL HARDSHIP – LOOSE FILL ASBESTOS
INSULATION**

AUTHOR: Director Corporate Services

**STRATEGIC OUTCOME: Supported and engaged
communities**

**STRATEGIC OBJECTIVE: 3.1 Create safe, friendly and accessible
communities**

FILE NO: 25.138.1, 05.101.9

RECOMMENDATION NO 2 - that the Council adopt the following Policy for Financial Hardship – Loose Fill Asbestos Insulation

File Reference No: 25.138.1

Strategic Outcome: Supported and engaged communities

Date of Adoption: 18/05/2016

Date for Review: 20/05/2020

Responsible Officer: Director Corporate Services _____

Min. No.

1. POLICY STATEMENT

The NSW government investigation into loose-fill asbestos has revealed several properties in Berrigan Shire affected by loose-fill asbestos insulation

Loose fill asbestos insulation is hazardous and deadly. In addition to health hazards, owners of these properties are likely to experience significant financial hardship associated with maintenance costs, finding alternate accommodation and/or loss of rental income, and costs associated with rebuilding.

The main agency responsible for providing relief for affected property owners is the NSW government. Assistance provided by the NSW government includes:

1. Free Testing program
2. Relocation assistance
3. Home contents assistance
4. Independent legal advice
5. Stamp Duty concession
6. Counselling services
7. Co-ordination of assistance from utility providers and financial institutions.

The NSW government has also implemented a Voluntary Purchase and Demolition Program for affected properties.

2. PURPOSE

This policy has two separate but linked aims:

Firstly, it is to give eligible owners of properties affected by loose fill asbestos insulation (also known as Mr Fluffy asbestos) relief from rates and other charges relating to their affected property. It is designed to complement the other measures put in place by the NSW government to ease the financial burden on owners of affected properties.

While the Council has an existing Financial Hardship Policy, the policy does not suitably address the circumstances of owners of affected properties, either in terms of eligibility or the relief offered.

In this policy the Council's intention is to target relief at those owners who can demonstrate financial hardship relating to their ownership of an affected property, and not to provide relief in general to all owners of affected properties.

Min. No.

Secondly, the Council wishes to see affected sites rebuilt upon as soon as possible; to maintain its existing level of housing stock and to avoid large numbers of vacant lots sitting idle in the residential areas of its towns.

The Council seeks to maintain confidence in the future of its towns and sees an opportunity in this otherwise unfortunate situation to update its stock of residential dwellings.

The Council's intention is to waive development and construction fees and charges for rebuilding work on affected properties to encourage owners and/or developers to rebuild as soon as possible and to prioritise development of these infill sites as opposed to new development on greenfield sites.

3. SCOPE

This policy is applicable to:

1. eligible owners of properties in Berrigan Shire
 - a. on the NSW Register of Homes Affected by Loose Fill Asbestos, and
 - b. eligible for the NSW Government Voluntary Purchase and Demolition Program, or
2. eligible owners of properties in Berrigan Shire where the building on the property was demolished and the site rehabilitated via the NSW Government's loose-fill asbestos Voluntary Purchase and Demolition Program

4. OBJECTIVE

This Policy has been developed to assist the Council with Delivery Plan Objectives

2.2.2.3 Coordinate Council Investments, financial management, financial operations & processing.

3.1.4 Coordinate and facilitate the delivery of potable water, public health and safety services

3.1.4.2 Monitor, control and report upon environmental contaminants and public health hazards, - water, fire, refuse, buildings and air

1.1.1.3 Process and approve / refuse development applications in accordance with relevant legislation, codes and policies

Min. No.

5. DEFINITIONS

Affected Home - Means any single residential-use dwelling or any form of multi-unit residential-use dwelling (including flats, townhouses, units, dual occupancy or the like) which has at one time or another had loose fill asbestos insulation installed at those premises. Commercial properties are specifically excluded

Affected property – The parcel of land containing the affected home

Applicant – A person lodging a development application on an affected property

Rates and charges relating to the affected property – This charges are defined as:

- Rates charged under Chapter 15 of the *Local Government Act* 1993
- Utility charges such as Water Connection, Sewer and Domestic Waste
- Water Consumption charges
- Stormwater charges
- Contributions to Footpath and Kerb-and-Gutter schemes made under Part 13, Division 3 of the *Roads Act* 1993
- Interest charged on any of the above charges in line with the relevant legislation

6. POLICY IMPLEMENTATION

6.1. Rates and charges relief

6.1.1. Eligibility

To be eligible for relief from rates and changes associated with the affected property, under this policy,

- the affected home must be on the NSW Register of Homes Affected by Loose Fill Asbestos; and
- The owner must be able to demonstrate financial hardship.

The property will remain eligible for relief until the property is either:

- Sold or otherwise transferred to a new owner (including a transfer via the NSW Government's loose-fill asbestos Voluntary Purchase and Demolition Program), or
- Declared fit by the relevant NSW Government authority for a building to occupy the site, or

Min. No.

- The property owner is no longer suffering from financial hardship, or
- Until otherwise determined by the Council.

6.1.2. Application

Property owners seeking relief from rates and charges associated with their Affected Home will be required to:

- Submit an application using the Council Financial Hardship Application Form, and
- Provide evidence of hardship as per the Council's Financial Hardship Policy.

The property owner must also provide evidence of the property's listing on the NSW Register of Homes Affected by Loose Fill Asbestos.

The applications will be determined as per the Council's Financial Hardship Policy. The Enterprise Risk Manager will be added to the review panel to assess the applications.

6.1.3. Relief

Under this policy, relief will consist of the following:

For the period in which the owner of an affected property meets the eligibility criteria, the owner may defer any payment to the Council for any rates and charges relating to the affected property.

This includes amounts owing at the time of application and subsequently charged against the property.

It should be noted:

- All applicable rates and charges will continue to be charged to the property throughout the eligibility period.
- Interest on rates and charges relating the affected property will continue to be charged to the affected property
- All rates and charges relating to the affected property will remain attached to the property and will be required to be paid once the affected property is no longer eligible for relief

6.1.4. Reporting

A register of all applications received by Council will be kept.

Min. No.

Reports to Council will be provided on a quarterly basis outlining the shortfall in Council income as a result of assistance provided.

6.1.5. Privacy

As per the Council's Privacy Management Plan, Personal information collected as a consequence of this policy will only be used for the purpose of assessing eligibility under the policy and will not be used for any other purpose or disclosed to any person unless the Council is required by law to do so or authorised to do so by the person whom the personal information relates.

6.2. Exemption from development fees and charges

6.2.1. Eligibility

To be eligible for exemption from Council development fees and charges associated with the affected property, under this policy,

- the building on the property must have been demolished and the site rehabilitated via the NSW Government's loose-fill asbestos Voluntary Purchase and Demolition Program, and
- the applicant must be rebuilding a **residential dwelling** on the property.

The applicant may be the previous property owner, or a new owner, or a third party..

6.2.2. Application

An applicant seeking exemption from Council fees and charges must apply when lodging the development application.

The applicant must provide the Council with evidence that the previous building on the site was demolished and the site rehabilitated via the NSW Government's loose-fill asbestos Voluntary Purchase and Demolition Program.

Applications and eligibility for exemption will be determined by the Development Manager.

6.2.3. Relief

Under this policy, the Council will exempt the eligible applicant from the following fees and charges **directly** related to the rebuilding of a residential dwelling on the affected site:

Min. No.

1. Construction certificate charge
2. Inspection fees
3. Occupation certificate charge
4. Complying Development Certificate

The applicant will not be exempt from fees and charges that the Council is required to pass on to third parties, including but not limited to:

1. PlanFIRST levy
2. Long Service Levy

Eligibility for exemption from water and sewer connection charges and works in the road reserve (i.e. driveways etc.) will be determined on a case-by-case basis by the Development Manager – with consideration given to achieving the aims of this policy.

6.2.4. Reporting

A register of all applications received by Council will be kept. Fees and charges waived by the Council under this policy will be separately identified in the Council's budget and ledger.

Reports to Council will be provided on an annual basis outlining the shortfall in Council income as a result of fees and charges waived. This information will also be included in the Council's Annual Report.

7. RELATED POLICIES

7.1. Legislation

- *Local Government Act 1993*
- *Local Government Regulation 1994*
- *Privacy and Personal Information Act 1998*
- *Roads Act 1993*
- *Environmental Planning and Assessment Act 1979*

7.2. Policies

- Berrigan Shire Council Social Justice Framework
- Asbestos Policy
- Revenue Policy
- Financial Hardship Policy
- Privacy Management Plan

7.3. Other

Min. No.

- [Office of Fair Trading - Loose-Fill Asbestos - Assistance for Owners and Tenants](#)
- [Office of Fair Trading - Loose-Fill Asbestos - Voluntary Purchase and Demolition Program](#)

**5.3 IPART Review of the Local Government Rating System
Issues Paper**

AUTHOR: Director Corporate Services

STRATEGIC OUTCOME: Good government

**STRATEGIC OBJECTIVE: 2.2 Ensure effective governance by
Council of Council operations and reporting**

FILE NO: 25.138.1

RECOMMENDATION NO. 3 - that the Council make a submission to the IPART Review of the Local Government Rating System Issues Paper in terms of the following table:

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
<p>1. Do you agree with our proposed tax principles? If not, why?</p>	<p>The key tax principles that IPART propose to use to assess the rating system are:</p> <ul style="list-style-type: none"> • efficiency • equity • simplicity • sustainability, and • competitive neutrality. 	<p>In principle agreement with the principles.</p> <p>Important not to combine with welfare principles – deal with welfare issues separately, not through rating system</p>

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
<p>2. What valuation method should be used as the basis for determining the ad valorem amounts in council rates? Should councils be given more choice in selecting a valuation method, as occurs in other states, or should a valuation method continue to be mandated?</p>	<p>Across Australian jurisdictions, three valuation methods are used to calculate the value of property for the purpose of rating. These are:</p> <ol style="list-style-type: none"> 1. The unimproved land value (UV) method, which values the property excluding the value of buildings, structures and other capital improvements. 2. The capital improved value (CIV) method, which values the property based on the market value, or the value inclusive of all capital improvements. 3. The annual rental value (ARV) method, which values the property based on its rental value. 	<p>UV meets the Council's needs at present, however a CIV approach may assist with equitable distribution of rates if there is growth in the number of multi-dwelling properties in the Shire.</p> <p>CIV on the other hand would see much reduced rates for vacant lots, reducing pressure to develop these lots in a timely manner.</p>

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
<p>3. Should councils be required to use the Valuer General's property valuation services, or should they also be able to use a private valuation firm (as occurs in Victoria and Tasmania)?</p>	<p>Councils generally do not assess the value of properties themselves. In NSW and some other Australian states, they are required to use the valuation services provided by the state Valuer General. However, in Victoria and Tasmania, councils can choose to use either their state-based Valuer General or a private firm for property valuation services</p>	<p>Valuation services are expensive. The existence of private firms in the market may put some market pressure on the NSW V-G.</p>
<p>4. What changes (if any) should be made to the Local Government Act to improve the use of base and minimum amounts as part of the overall rating structure?</p>	<p>Under the current rate structure, rates may comprise an ad valorem amount plus a base amount, or an ad valorem amount which may be subject to a minimum amount. Both base and minimum amounts are fixed charges.</p>	<p>The Council does not use a base rate or minimum amount</p>

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
<p>5. What changes could be made to rating categories? Should further rating categories or subcategories be introduced? What benefits would this provide?</p>	<p>The current rating system includes four rating categories which reflect the primary use of the land. These are residential, business, farmland and mining.²¹ Councils may elect to apply different rate structures to each category.</p> <p>In addition, councils may determine subcategories within each category and apply a different rate structure for each subcategory.</p> <p>A subcategory may be determined for:</p> <ol style="list-style-type: none"> 1. residential property according to whether the land is rural residential land or is within a centre of population 2. business according to a centre of activity 3. farmland according to the intensity of land use, the irrigability of the land or economic factors affecting the land, and 4. mining according to the kind of mining involved. 	<p>While additional flexibility with categorisation may assist with fine tailoring of the rating burden, much of this is able to happen under the existing framework.</p> <p>Consistent rating categories across NSW allow for simpler comparison of rates across jurisdictions and are more transparent.</p>

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
5. Does the current rating system cause any equity and efficiency issues associated with the rating burden across communities?	<p>IPART are required to consider the rating burden across communities, which IPART understand to mean across different local government areas. The Panel also suggested the rating burden may not be spread equitably across communities in NSW.</p> <p>In IPARTs view, the rates levied by a local council should be used to fund the provision of infrastructure and services in that local government area, and should reflect the costs of this provision. They should not be used to fund the services provided by councils in other local government areas.</p>	No objection to IPARTs position

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
<p>6. What changes could be made to current rate pegging arrangements to improve the rating system, and, in particular, to better streamline the special variation process?</p>	<p>Under the current rate pegging arrangements, IPART determines the maximum percentage by which a council may increase its general income (primarily from rates) each year, known as the 'rate peg'. If they wish to increase their general income by more than this rate, councils can apply to IPART for a 'special variation'. A key issue highlighted by the Panel Report was that, in their present form, rate pegging arrangements impact "adversely on sound financial management".²⁸ It suggested three options to make the current arrangements more effective:</p> <ul style="list-style-type: none"> • streamlining the application and approval process for special variations • introducing earned autonomy, where certain councils demonstrating • consistent high performance could earn complete exemption from rate pegging, and • replacing rate pegging with rate benchmarking 	<p>Council's preferred position is to abolish rate pegging in toto but this is unlikely to be politically acceptable.</p> <p>Council could support all three proposals put forward by ILGRP and could suggest an further position of only requiring formal approval for increases over the rate peg if a threshold amount of objections are received.</p>
<p>7. What changes could be made to the rating system to better encourage urban renewal?</p>	<p>IPART's preliminary view is that the current rating system provides scope for councils to partner with other levels of government to promote urban renewal.</p>	<p>No relevance to Council</p>
<p>8. What changes</p>	<p>When rates become overdue, councils may charge</p>	<p>There are serious</p>

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
<p>could be made to the rating system to improve councils' management of overdue rates?</p>	<p>penalty interest on the overdue amount. Councils may also seek a court order to require payment, and enforce the debt using debt recovery powers under the <i>Civil Procedure Act 2005</i> (NSW).</p> <p>It appears that some councils might be pursuing relatively low value claims for overdue rates through the courts. The Department of Justice found that:</p> <ul style="list-style-type: none"> • just over one-third of all civil claims in the Local Court involve councils pursuing overdue rates, and • over 80% of claims are for amounts of \$2,000 or less. <p>Model litigant obligations require NSW government agencies to endeavour to avoid litigation wherever possible. However, using the Local Court as the primary means of recovering overdue rates may be an attractive option for councils, irrespective of the amount overdue, as the penalty interest rates</p> <p>Councils are permitted to charge could mean that there is no incentive to resolve debt issues early. IPART understand that less than 1% of all claims for unpaid rates are defended.</p> <p>Where financial hardship is the underlying cause of rates being overdue, a more sustainable and equitable approach may include councils offering more flexible payment options. IPART note that similar arrangements are used by water and energy utilities when their customers are experiencing financial difficulty.</p>	<p>concerns with the position taken by IPART here.</p> <p>Firstly, IPART make it clear that their assessment of Council rates is based on rates being treated as a tax – a common sense position. Yet IPART are suggesting that Councils' approach to collection of overdue rates should be in line with service providers such as utilities – all of which have a final option of cutting off service.</p> <p>The Council is of the position that a more appropriate comparison should be made with collection methods used by the Australian Taxation Office and the NSW State Revenue Office.</p> <p>Non-payment of rates is not just a financial burden</p>

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
		<p>for the Council; it is a distortion of the equitable basis on which the rating system is founded.</p> <p>There appears to be a fundamental misunderstanding of Councils' approach to recovery of overdue rates. In general Councils seek to collect rates as soon as possible and use the legal system as a last resort when a ratepayer is either refusing to respond or is actively non-co-operative.</p> <p>IPART should consider the approach of other states and make the whole amount due and payable if an instalment payment is missed.</p> <p>IPART should also consider reform to streamline the process for selling up properties for</p>

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
		outstanding rates under s713 of the <i>Local Government Act</i> 1993 to prevent the gaming of the system that happens now.

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
<p>9. Are the land uses currently exempt from paying council rates appropriate? If a current exemption should be changed, how should it be changed? For example, should it be removed or more narrowly defined, should the level of government responsible for providing the exemption be changed, or should councils be given discretion over the level of exemption?</p>	<p>Exemptions are a subsidy to the exempt land use that is funded by local ratepayers. In considering exemptions, the key questions that arise are whether a subsidy is appropriate, and if so, what is the correct level of subsidy and who should pay for it.</p> <p>In general, who should pay for an exemption should relate to who receives the public benefits from the goods and services provided by the exempt land use:</p> <ul style="list-style-type: none"> • If the benefits of an exempt activity are largely confined within the local government area boundary, then it may be appropriate for local ratepayers to fund the cost of the exemption. • However, if the benefits are distributed beyond the local council area, it may be more equitable for the state government to share the funding costs of the exemption. 	<p>Exemption from rates is not a matter of great significance to this Council.</p> <p>As a general position, exemption from rates should be kept as minimal as possible.</p>

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
<p>10. To what extent should the exemptions from certain state taxes (such as payroll tax) that councils receive be considered in a review of the exemptions for certain categories of ratepayers?</p>	<p>Local government also receives exemptions from paying state and federal government taxes, such as payroll tax, stamp duty and income tax. Therefore, in conducting further analysis we will take a holistic approach. That is, we will also look at the consistency and efficiency of tax arrangements between levels of government overall – including the exemptions councils receive as well as those they are required to provide. If some exemptions councils are required to provide are changed, it may also be appropriate to review some exemptions they receive. Any changes should improve overall efficiency, equity and competitive neutrality</p>	<p>Requiring State government bodies to pay rates may be a Pyrrhic victory if Council is then required to pay payroll tax and land tax.</p>
<p>11. What should the objectives of the pensioner concession scheme be? How could the current pensioner concession scheme be improved?</p>	<p>There are several options that could be considered for pensioner concessions, each of which will achieve different objectives. These include:</p> <ul style="list-style-type: none"> • Retaining the current concession scheme. This option meets current welfare objectives and is consistent with the NSW Government’s commitment to providing rate concessions to pensioners. However, the Panel suggested “it is doubtful whether funding such a concession ought to be a local government (or even state government) function within Australia’s federal system” • Replacing the current concession scheme with a rate 	<p>The level of pensioner concession granted by the Council is an issue now and one that is likely to grow as our community continues to age.</p> <p>There is a genuine argument that the concession subsidises towards wealthy homeowners (and their</p>

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
	<p>deferral scheme as occurs in South Australia. This option could better ensure asset-rich, income poor ratepayers are not adversely affected by council rates. This option would also lower the cost to councils and government.</p> <ul style="list-style-type: none"> • Introducing an asset test that limits eligibility for the concession where the property is over a certain value (for example, \$1 million). 	<p>heirs!) at the expense of working families</p> <p>The Council could consider supporting either the assets test or the rates deferral scheme. It should be noted when considering a rates deferral scheme that Councils don't necessarily have the working capital to carry large amounts of deferred rates, especially Councils with ageing populations. Councils should not be forced to become in effect reverse mortgage providers to large sections of their communities.</p> <p>The Council should not be obliged to provide a subsidy over and above the amount funded by the state government, however the Council should have the ability to</p>

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
		provide a subsidy if it wishes.
<p>12. We have interpreted the rate path freeze policy to mean that in the four years after a merger, the rating path in each pre-merger council's area will follow the same trajectory as if the merger had not occurred. Do you agree with this interpretation?</p>	<p>That is, this rate path should comprise the pre-merger council's general income in the year the merger takes place, adjusted by the following two external factors:</p> <ol style="list-style-type: none"> 1. the rate peg OR any special variation approved for the council prior to its merger, and 2. the expiry of any temporary special variations that applied to the council prior to its merger. 	<p>Agree with the interpretation but do not agree with the policy position.</p> <p>The interpretation should also include provision for natural growth in the rate base.</p>

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
<p>13. Within the rate path freeze period, should merged councils be permitted to apply for new special variations:</p> <ul style="list-style-type: none"> - For Crown Land added to the rating base? - To recover amounts that are 'above the cap' on development contributions set under the Environmental Planning and Assessment Act 1979? - To fund new infrastructure projects by levying a special rate? 	<p>Under IPARTs interpretation of the rate path freeze policy, a merged council would generally not be eligible for new special variations during the rate path freeze period. However, IPART propose they should retain the discretion to apply for new special variations in three limited circumstances</p>	<p>Support all three exemptions.</p>

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
<p>14. Are there any other situations where merged councils should be able to apply for new special variations within the rate path freeze period?</p>		<p>Council does not support the policy position of a rates path freeze. That said, if one is implemented, there needs to be some discretion to Council/IPART to be able to adjust to correct glaring and obvious inequity where a delay of four years would be unreasonable.</p>

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
<p>15. During the rate path freeze period, should merged councils only be able to increase base amounts and minimum amounts each year by the rate peg (adjusted for any permitted special variations)?</p>	<p>IPART consider that merged councils should only be able to increase base amounts and minimum amounts each year by the rate peg percentage, subject to:</p> <ul style="list-style-type: none"> • base amounts and minimum amounts being adjusted for any relevant existing or expiring special variations, and • where the minimum amount is set at the maximum limit under the LG Act, it continue being set at this limit 	<p>The Council does not use a base rate or minimum amount; however its proposed merger partner does use base rates.</p> <p>Again, the Council's general position would be to allow for more flexibility rather than less.</p>

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
<p>16. During the rate path freeze period, should merged councils be able to allocate changes to the rating burden across rating categories by either:</p> <ul style="list-style-type: none"> – relative changes in the total land value of a rating category against other categories within the pre-merger council area, or – the rate peg (adjusted for any permitted special variations)? 		<p>If the State Government's objective is "rates certainty", shifting rating burdens across categories would frustrate this objective.</p> <p>That said, the Council would support more (rather than less) flexibility available to a merged Council to adjust its rating burden.</p>

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
17. Do you agree that the rate path freeze policy should act as a 'ceiling', so councils have the discretion to set their rates below this ceiling for any rating category?	The rate path freeze policy acts as a 'ceiling' on rate increases, in that it determines the maximum rates that merged councils can charge in each premerger council area during the freeze period. However, councils would have the discretion to set their rates below this ceiling for any rating category, particularly in view of the substantial financial savings that could be generated by the mergers.	No objection to this, but unlikely to be taken up as research has shown that the expected "substantial financial savings" will not be realised –certainly not within the rate path freeze timeframe.

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
<p>18. What other discretions should merged councils be given in setting rates during the rate freeze period?</p>		<p>The Council's position is that the newly merged Council should be able to develop and implement a unified rating structure as soon as possible and without further hindrance over and above the rate pegging system. Delays in implementation of a new structure are not in the interest of the new Council or its ratepayers.</p> <p>The Council acknowledges this is contrary to the State Government policy position.</p>

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
<p>19. We considered several options for implementing the rate path freeze policy. Our preferred option is providing the Minister for Local Government with a new instrument-making power. What are your views on this option and any other options to implement the rate path freeze policy?</p>	<p>Legislative change would be required to implement the rate path freeze policy. It could not be achieved under the <i>Local Government Act 1993</i> (LG Act) in its present form.</p> <p>IPART have identified three possible approaches to implementing the rate path freeze policy.</p> <ol style="list-style-type: none"> 1. Amend the LG Act to introduce a new instrument-making power 2. Amend the LG Act to expand the Governor of NSW's proclamation power 3. Providing for the rate path freeze entirely through amendments to Chapter 15 of the LG Act and LG Regulation 	<p>A new power provided to a Minister may potentially lead to its use in unintended circumstances.</p> <p>Legislation would be more certain and minimise the potential of government frustrating the will of parliament when establishing the rate freeze.</p>

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
<p>20. Should changes be made to the LG Act to better enable a merged council to establish a new equitable system of rating and transition to it in a fair and timely manner? If so, should the requirement to set the same residential rate within a centre of population be changed or removed?</p>	<p>IPART have identified several options for addressing the issues arising from rate equalisation across merged council areas after the rate freeze expires. These include:</p> <ul style="list-style-type: none"> • removing the rate equalisation requirement from the LG Act • allowing merged councils to gradually equalise rates after the rate freeze expires, and • using other potential changes to the rating system to offset the impact of rate equalisation. 	<p>The Council's general position is that more flexibility to adjust its rating structure post-merger is preferable.</p> <p>That said, the Council has also expressed a general preference in the case of a merger to move to a unified rating structure as soon as possible.</p>

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
<p>21. Should approved special variations for pre-merger councils be included in the revenue base of the merged council following the 4-year rate path freeze?</p>	<p>A council that has been merged may have had a special variation approved prior to the merger. As discussed in Chapter 6, under our interpretation of the rate path freeze, the general income of a merged council during the rate path freeze would include any extra revenue from special variations that have been approved for pre-merger councils. As the pre-merger council ceases to exist after a merger, the special variation approved prior to the merger, and the extra permissible revenue associated with it, also legally ceases to exist.</p> <p>To address this issue, IPART interprets the rate path freeze to mean that the general income of the larger merged council should include any extra revenue from special variations that have been approved pre-merger. The extra revenue from approved special variations would be included in the merged council's rate base both during the 4-year rate freeze and afterwards.</p>	<p>Support this interpretation.</p>

Min. No.

Issue for which IPART is seeking comment	IPART explanation	Proposed position
<p>22. What other rating issues might arise for merged councils after the 4-year rate path freeze period expires?</p>		<p>Berrigan Shire Council does not support the proposed 4 year rate path freeze for merged Councils. It is poor policy made for political expediency rather than any genuine policy objective.</p> <p>It will entrench for four years, inherent unfairness and inequity in the rating systems of the new Councils. It forced Councils to “kick the can down the road” rather than allowing them to actually deal with the difficult issues around rating immediately.</p> <p>The end of the 4-year freeze will likely see a rating “free-for-all” as this pent up pressure from communities comes to the surface. IPART would be well advised to ensure that resources are available to manage this process from their end.</p>

Minutes of the Ordinary Council meeting held in the Council Chambers on Wednesday, 18th May, 2016.

Min. No.

Min. No.

5.4 FINANCIAL STRATEGY

AUTHOR: Director Corporate Services

STRATEGIC OUTCOME: Good government

**STRATEGIC OBJECTIVE: 2.2 Ensure effective governance
by Council of Council operations and reporting**

FILE NO: 04.121.4

RECOMMENDATION NO 4 - that the Council adopt the Financial Strategy, as set out below, as a draft and incorporate into the 2016-2019 Resourcing Strategy.

EXECUTIVE SUMMARY

The Financial Strategy has been prepared as part of Berrigan Shire Council's overall Integrated Planning and Reporting model. Along with the Asset Management Strategy, the Financial Strategy is designed to inform the preparation of the Council's Long Term Financial Plan (LTFP), itself a part of the Council's Resourcing Strategy.

The financial strategy provides guidance on the financial 'assumptions' or objectives that will guide the development of the LTFP. By establishing a financial strategy, the Council can demonstrate where it wishes to progress and the goals it wishes to achieve.

The Financial Strategy can be broken down into the following components:

- A brief review of the Council's current position – demographically, economically and financially
- A brief analysis of the Council's activities and future plans – especially the Community Strategic Plans and the Asset Management Plans.
- A set of financial objectives that the Council aims to achieve while delivering on its future plans
- Actions that will assist in meeting financial objectives
- A set of indicators and targets to measure progress against the objectives.

Objectives

The Financial Strategy identifies three key objectives:

1. Financial sustainability
2. Cost effective maintenance of infrastructure service levels
3. Financial capacity and freedom

Min. No.

Actions

To achieve these objectives, the Council has identified 17 core actions.

1.1	Prepare and review annually a Long Term Financial Plan with the aim of achieving the financial objectives identified in this strategy.
1.2	Prepare Capital Expenditure Reviews, including an assessment of lifecycle costs, for all new and/or upgraded infrastructure assets – with the exception of upgrades of roads, water mains and sewer mains.
1.3	Resist the pressure to fund services that are the responsibility of other levels of government.
1.4	Retain control of urban water supply and sewer services.
1.5	Recognise that funding for renewal and upgrading of sport, recreation and cultural infrastructure requires a combination of Council funding, community support and preferably some contribution from other levels of government.
1.6	Seek methods of achieving a return (or at least minimise ratepayer subsidy) on business activities such as the Finley Saleyards, Tocumwal Caravan Park and Tocumwal Aerodrome. Subsidies to programs such as the private operation of the Tocumwal Visitor Information Centre should also be reviewed regularly.
1.7	Encourage and support the existing model of community provision and operation of sport, recreation and cultural infrastructure.
1.8	Actively lobby the State and Federal Governments to retain existing grant funding levels for road maintenance and upgrades.
2.1	Prepare and review its Asset Management Strategy and its Asset Management Plans for the Council's major infrastructure assets annually as part of annual budget preparation.
2.2	Prioritise the renewal of existing assets over the development and delivery of new services.
2.3	Implement a Borrowing Policy that allows the Council to borrow only for the development of infrastructure where <ul style="list-style-type: none"> o There is an urgent need for the asset in the short term, or o It is most cost-effective to construct the asset in the short term (as opposed to waiting until sufficient on-hand funds are available), and o The Council has access to a funding stream to meet its debt obligations without compromising its other activities.
3.1	Formalise the Council's existing preference to put money aside for future capital works, rather than borrow.
3.2	Maintain the existing Investment Policy settings prioritising preservation of capital over investment return.
3.3	Retire existing debt in line with existing loan repayment schedules. Once paid, quarantine the repayment stream freed up to fund future capital renewal projects or specifically identified programs.
3.4	Continue to actively recover outstanding rates debt as identified in the Council's Revenue Policy.
3.5	Set utility charges for water supply, sewer and waste management services at a level that delivers a return on those assets sufficient to ensure long term sustainability.
3.6	Consider seeking a Special Rates Variation where there is a clearly identified demand for new or significantly improved service levels.

Min. No.

Performance Measures

Berrigan Shire Council will measure whether or not this strategy achieves its objectives using following indicators and performance measures

These measures have been selected as ones common across local government and able to be derived simply from the Council's existing financing reporting systems.

Financial Strategy Objectives	Possible Indicators	Performance Measures/Target
1. Financial sustainability	Operating Performance Ratio Unrestricted Current Ratio Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage	
2. Cost effective maintenance of infrastructure service levels	Building, Infrastructure & Other Structures Renewals Ratio Infrastructure Backlog Ratio Capital Expenditure Ratio	
3. Financial capacity and freedom	Debt Service Cover Ratio Cash Expense Cover Ratio	

Where are we now?

Berrigan Shire is a rural community on the New South Wales and Victorian border with an economy based largely around irrigated agriculture and to a lesser extent, tourism. The Shire has an estimated population of 8,716, growing at around 1% per annum.

Berrigan Shire has four towns. The Murray River border towns of Tocumwal and Barooga support a range of tourism, leisure and lifestyle

Min. No.

services while the “inland” towns of Berrigan and Finley service the surrounding dry land and irrigated farming districts.

Recent population growth has been in the Murray River border townships of Barooga and Tocumwal attracting families to lifestyle blocks and retirees from metropolitan Melbourne.

NSW Treasury Corporation assessment

In 2013, the NSW Treasury Corporation (TCorp) prepared an independent Financial Assessment, Sustainability and Benchmarking Report on Berrigan Shire Council

The report made the following observation on the financial management of the Council.

The Council has been well managed over the review period based on the following observations:

- 1. Council has recorded near breakeven operating positions in most of the review years*
- 2. Most of its financial indicators were above benchmark indicating it had sufficient liquidity and able to service its debt*

When considering the Council’s long term financial sustainability, TCorp made the following comments:

TCorp believes Council is currently in a moderately Sustainable position. Council’s operating position was in small surpluses or close to breakeven positions in the review period. It is forecast to report operating surpluses in the next 10 years with an adequate but declining level of liquidity.

In considering the longer term financial Sustainability of the Council we make the following comments:

- 1. Council’s current LTFP for its General Fund forecasts operating surpluses in most years of their forecast but this is expected to gradually decline. Operating revenue is forecast to increase at a lesser rate than operating expenses, but this may be at least partly due to conservative forecasting of revenue increases.*
- 2. Council will need to continue to improve its AMP so the community’s view on the desired level of service can be collected and reflected in the AMP. This will then need to be integrated with the LTFP. Council’s first version of the Road, Streets and Bridges AMP was completed in October 2009 and it is now due for review.*
- 3. Council is reliant on external sources of funding. Its long term Sustainability is dependent on continuing support from other*

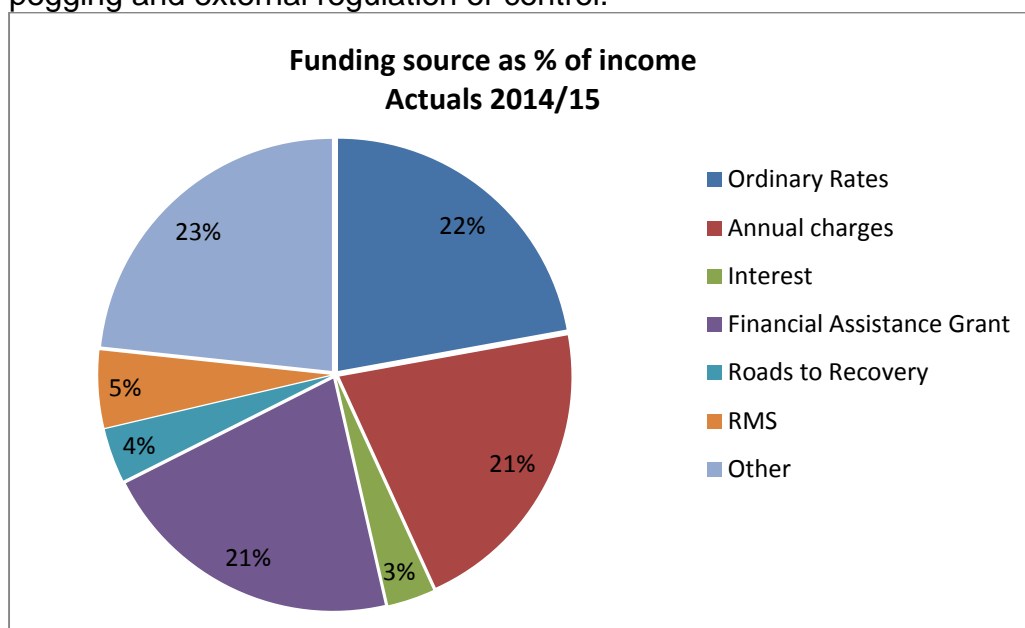
Min. No.

levels of government. While significant changes in grants and contributions are not expected, a decrease in external sources of funding will impact Council as it has limited own revenue sources

These observations and comments have been incorporated into the Council's Financial Strategy and other long term plans.

Funding

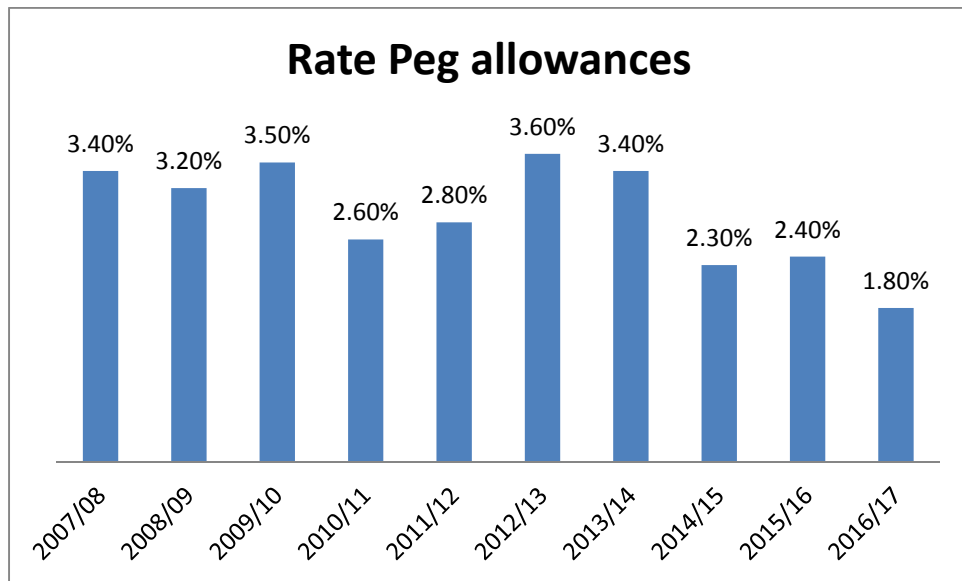
The following figures provide a summary of the source of Council's funds. Approximately 77% of Council's income is subject to rate pegging and external regulation or control.



Council does not anticipate significant growth in rateable properties. Growth in the Council's Ordinary Rate Revenue will need to come from Rate Peg increases set by the Independent Pricing and Regulatory Tribunal (IPART).

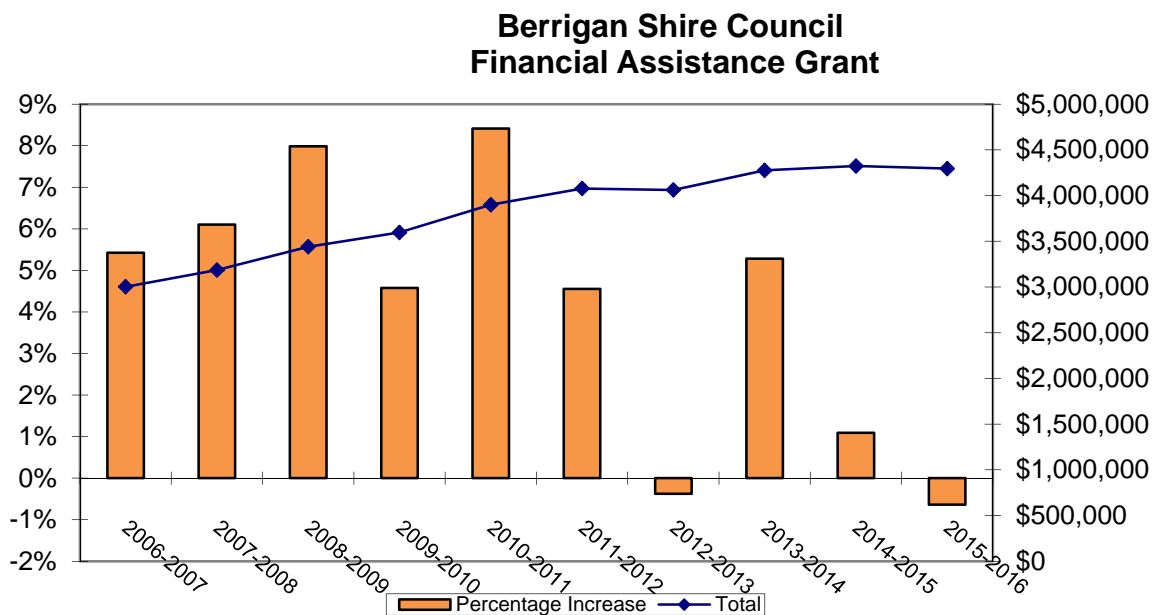
Since 2002/03, Rate Peg allowances have ranged between permissible increases of 1.8% and 3.6%. The Council does not expect the Rate Peg to move much outside the lower end of this range.

Min. No.



Berrigan Shire Council has little control over the amount of Financial Assistance Grant (FAG) it receives, with a complex formula distributing the state-wide amount set by the Federal Government across NSW Councils. In 2014/15, the Federal Government announced a three-year “pause” in FAG indexation, which has had the effect of reducing the Council’s untied revenue available for discretionary expenditure.

While the “pause” expires in 2017/18, it is unlikely that growth in FAG will be as consistent as it was in the 2000s and early 2010s



Berrigan Shire Council uses Roads to Recovery (R2R) and RTA funding (8%) to maintain its extensive rural and urban road

Min. No.

network. Any reduction in the amount of these grants will significantly impact the Council's ability to maintain its existing road infrastructure service levels.

The Federal Government in particular has increased funding for programs such as R2R in recent years as part of the general trend to reduce general purpose unpaid grants and increase tied funds for projects such as road construction. The Council expects this trend to continue – meaning capital works on roads will continue to increase while other projects such as upgrades of community facilities may be left behind unless specific grant funding can be found.

Approximately 21% of Council's is derived from its utility services and investments. Utility charges for water supply, sewer and waste management services are set at a level that delivers a return on those assets.

Interest and investment income makes up around 3% of the Council's total revenue. The Council traditionally takes a conservative approach to investment income. Berrigan Shire Council's *Investment Policy 2015* makes the following statement.

Preservation of capital is the principal objective of the investment portfolio. Investments are to be placed in a manner that seeks to ensure security and safeguarding the investment portfolio. [...] Investments are expected to achieve a market average rate of return in line with the Council's risk tolerance.

The Council is a "price-taker" with regard to its investment returns with interest rates determined by the market. At present, the vast majority of the Council's investments are in Term Deposits with institutions under the oversight of the Australian Prudential Regulation Authority. With recent reforms under the Fit for the Future Program, the Council now has access to New South Wales Treasury Corporation investment products. The Council plans to take advantage of these products, especially with some of its longer term investments.

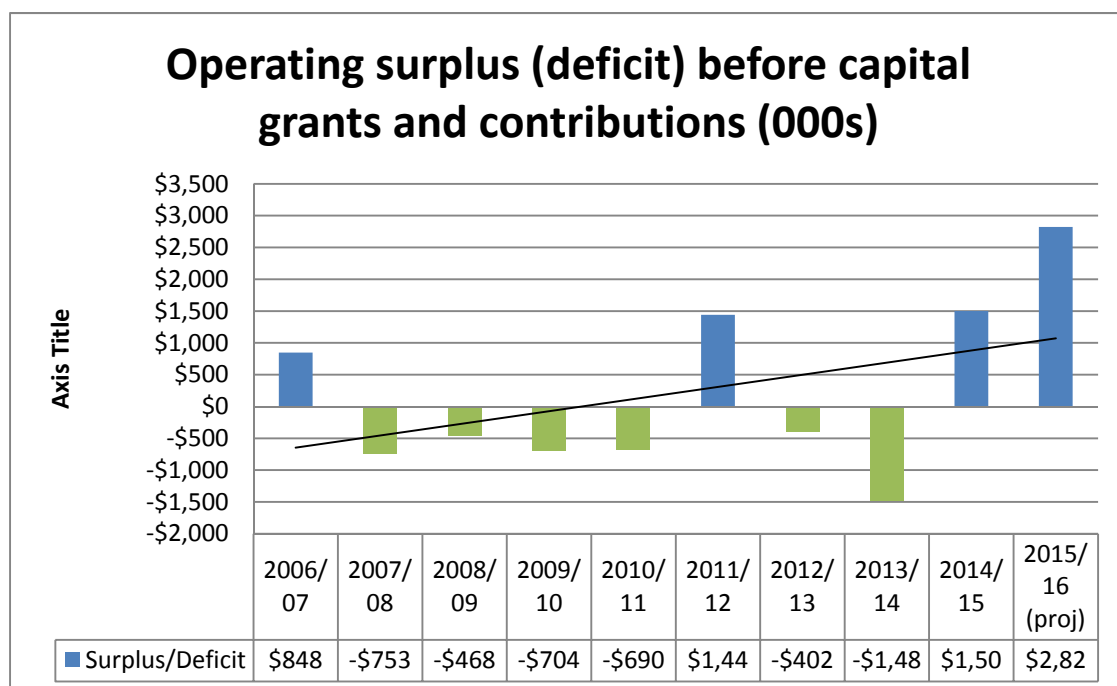
Interest rates and investment returns are at historic lows and the Council expects this will continue in the short to medium term.

Operating results

Since 2007/08 – when the Council started to bring its previously acquired infrastructure assets and subsequent depreciation to account – the Council has gradually improved its operating position to move from small operating deficits to moderate operating surpluses. The exception to this rule was between 2011/12 and

Min. No.

2013/14 when the accounting treatment for advance payments of FAG artificially distorted the operating results – firstly positively and later negatively.



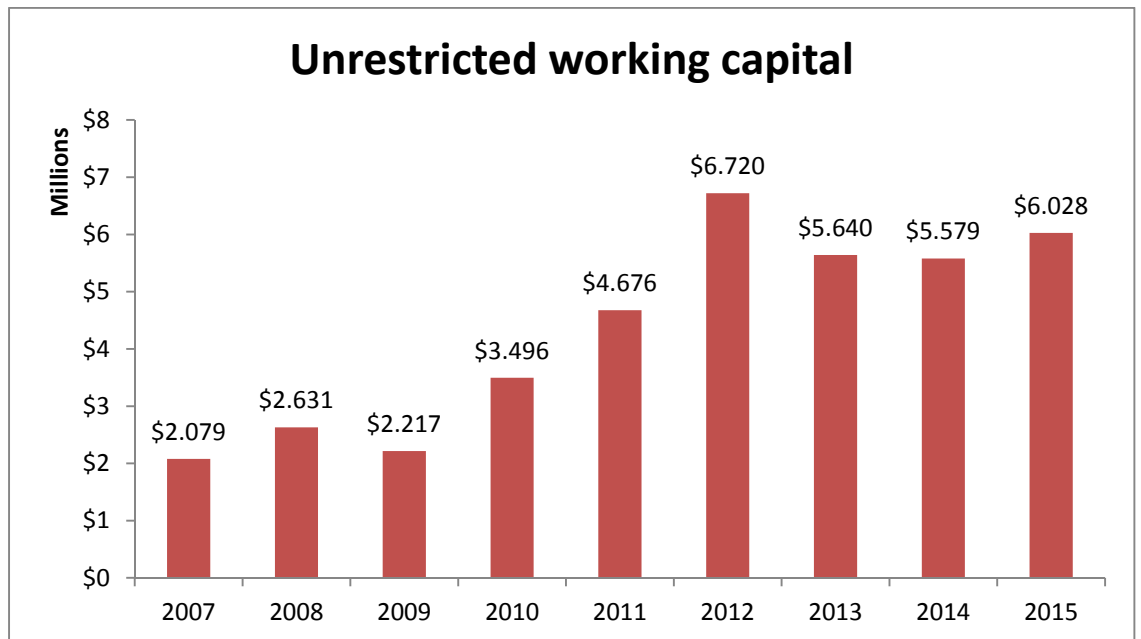
Working capital

At 30 June 2015, the Council had \$6.0 million in unrestricted working capital. The Council’s unrestricted working capital are those funds available to meet its future spending requirements after making allowance for any restrictions in place over the use of such working capital.

Unrestricted working capital is required not just for future infrastructure works but also to meet items such as staff leave entitlements and to allow a buffer for day-to-day Council operations.

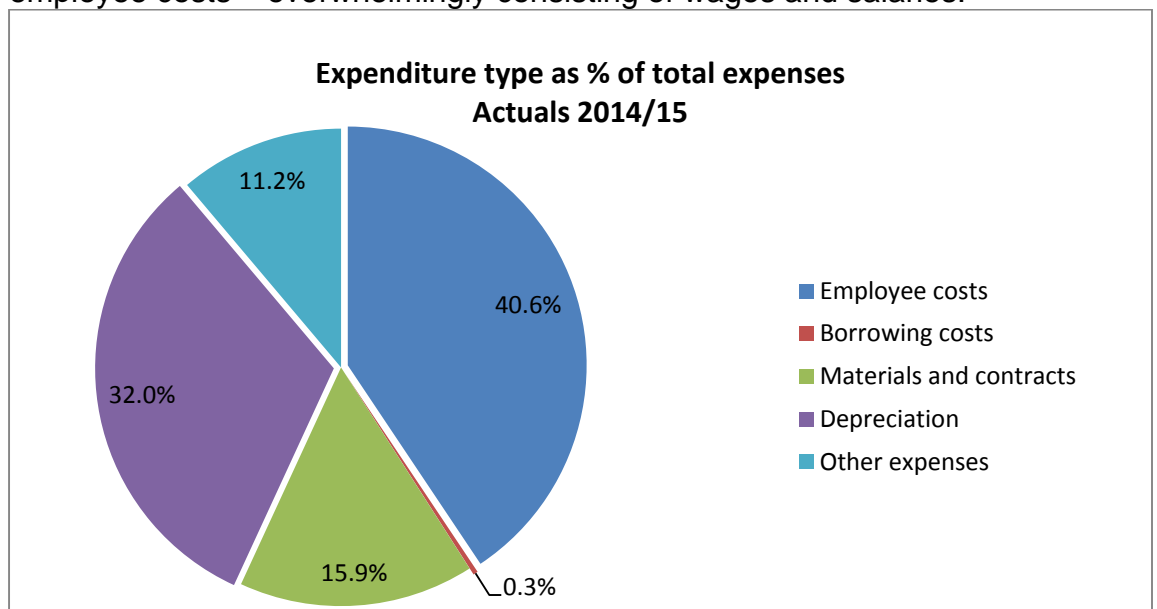
Since 2007/08 the Council has steadily increased and then maintained its unrestricted working capital.

Min. No.



Expenses

The chart below provides a summary of the Council's operating expenses by type. Employee costs, Materials and Contracts, and Depreciation make up the majority of the Council's operating costs. As can be seen, the largest expenditure item for the Council is employee costs – overwhelmingly consisting of wages and salaries.



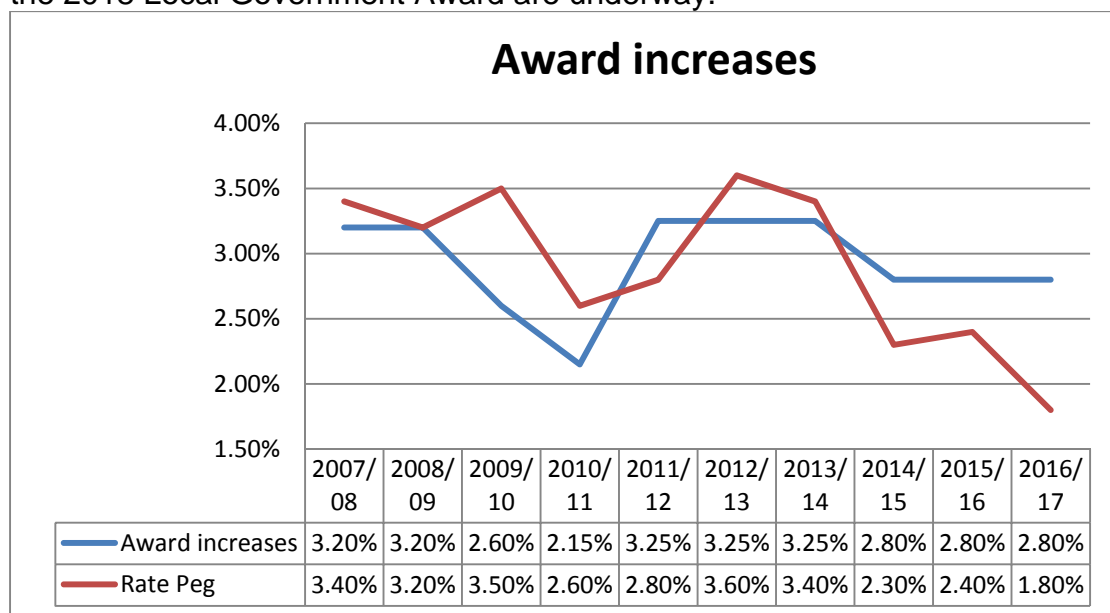
The Council's wages and salaries expense is influenced by two major factors:

- The number of staff employed
- The wage and salary rates payable

Min. No.

The Council’s Workforce Development Plan does not identify any significant increase in staff numbers and the Council’s Community Strategic Plan does not identify any new services likely to require additional staff.

Berrigan Shire Council operates under the *NSW Local Government Award 2014*. The Award sets out the annual increase in wage rates and salaries that the Council is obliged to pay its workforce. The annual increase has been agreed for 2016/17 and negotiations for the 2018 Local Government Award are underway.



Note that in general, the net amount received from the Council general rate peg allowance is not sufficient to meet its additional wages and salary expense. The Council expects wages and salaries to increase by around 2.5% per annum in the medium term.

Materials and contracts will increase as a result of inflation. The Reserve Bank has indicated that its medium-term target for inflation is between 2-3% on average, as measured by the Consumer Price Index. Given the unique cost pressures on local government, for the Council’s purposes the Local Government Cost Index prepared by IPART provides a better guide to inflation. The Council estimates that its costs will increase by around 1% more than CPI.

On the revenue side, the Council makes the assumption that the rate peg will continue to be set in reference to the Local Government Cost Index (i.e. a measure of inflation). It also makes the assumption that – post-“pause” – FAG will be increased more-or-less in line with inflation.

Min. No.

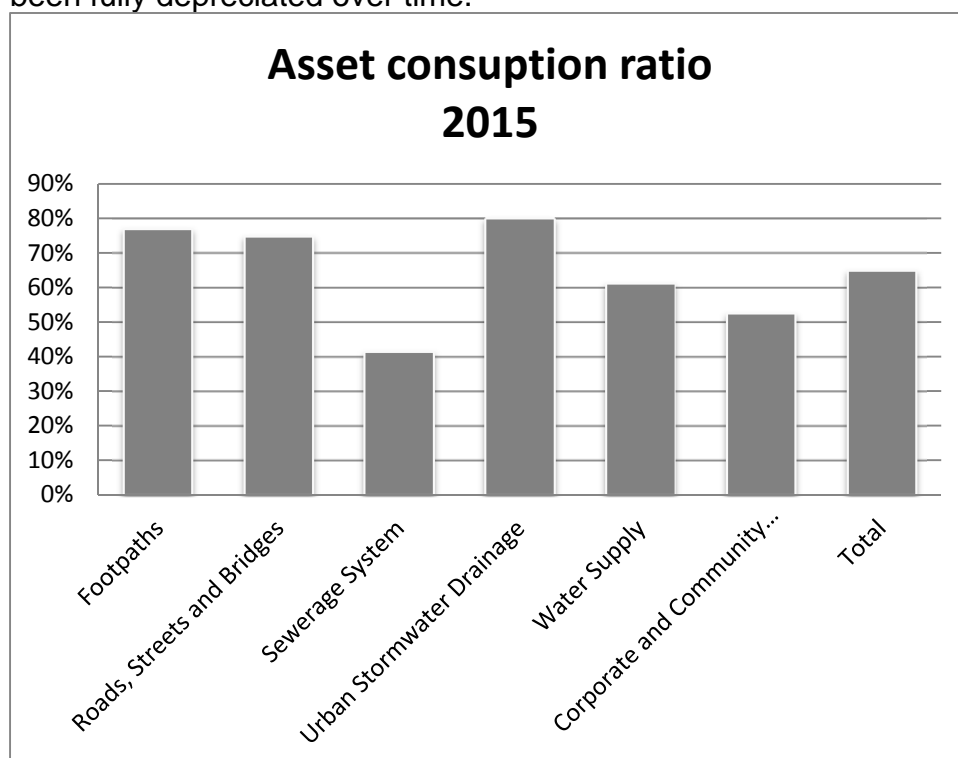
Depreciation expense is simply a method of allocating the cost of assets across multiple accounting periods (i.e. financial years) and as such is discussed in detail in the Asset Management section below.

Asset condition

One method of assessing the condition of the Council's assets is to measure how much the Council asset has been depreciated down from its "as new" condition. This gives a rough guide as to how much of the original service potential or productive capacity remains in the asset.

This measurement is done by dividing the written down value of the asset (the fair value of the asset less accumulated depreciation) by the fair value of the asset. This is called the Asset Consumption Ratio.

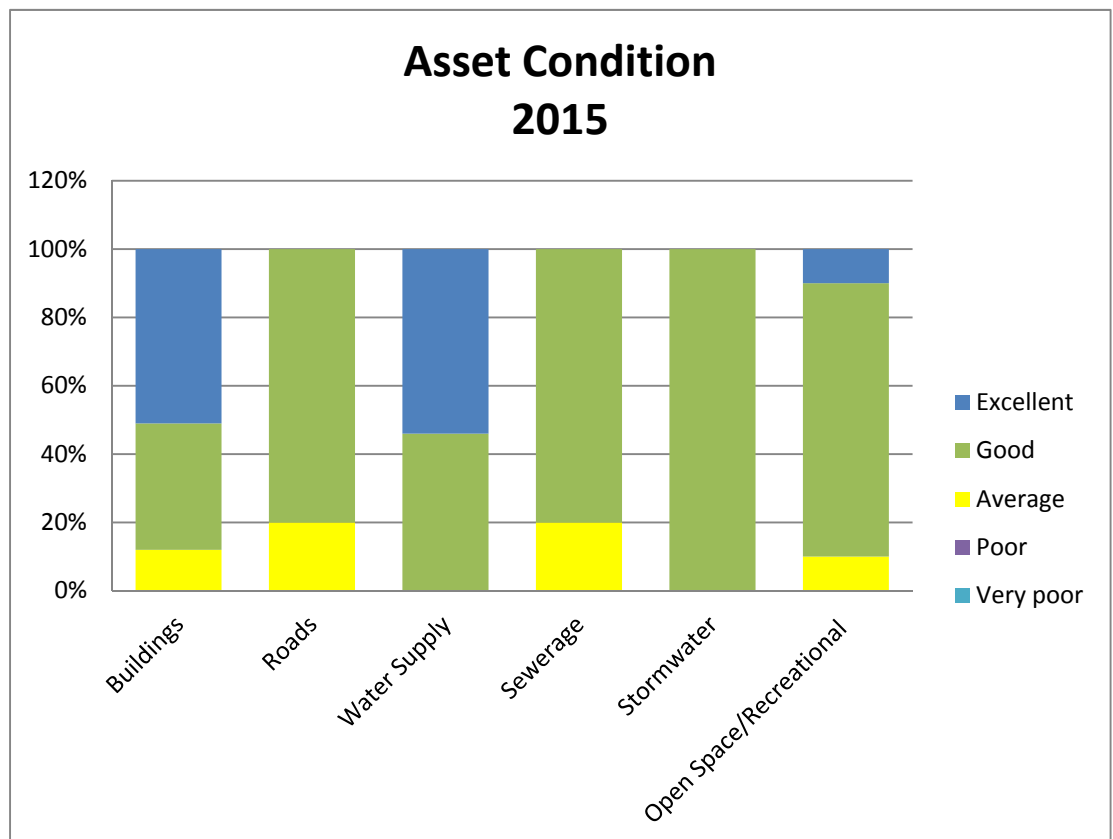
The Asset Consumption ratios of Council's assets at 30 June 2015 are shown below. The Asset Consumption Ratio shows the average proportion of "as new condition" left in assets by comparing the "written down" value of the Council's assets – replacement cost less the depreciation charged to the asset over time – against the replacement of the Council's assets. An asset with a 100% ratio is in "brand new" condition while one at 0% has been fully depreciated over time.



Min. No.

Another method of measuring the condition of the Council's assets is to make a technical assessment of their condition using measures such as number of faults or breaks along with some professional judgement.

A technical assessment of the condition of the Council's infrastructure assets is shown in the chart below. These condition ratings have been derived from the ratings shown in Special Schedule 7 of the 2014/15 Financial Statements



WHERE ARE WE GOING?

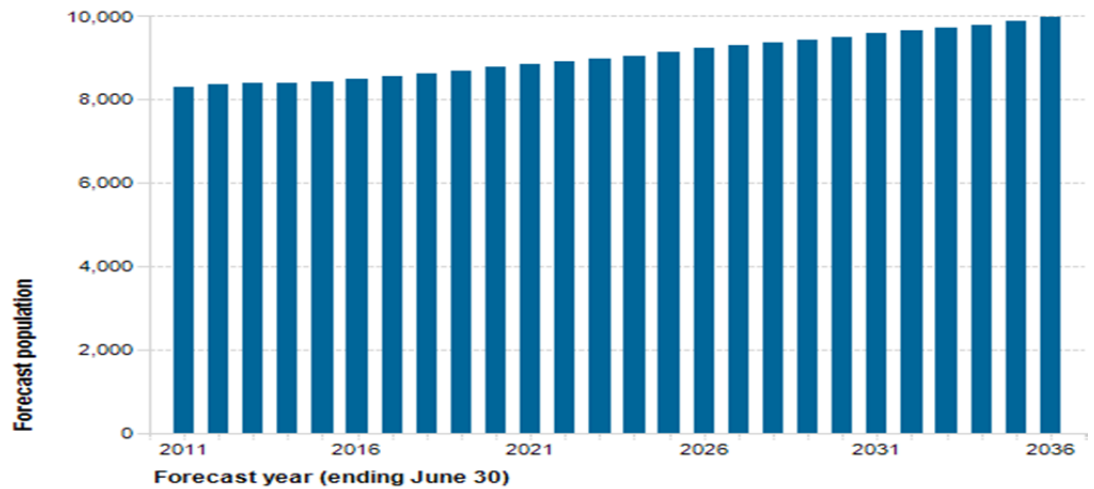
Population growth

Berrigan Shire is expected to continue growing at a modest rate with the Shire population in 2026 expected to be around 9,224. Population growth will be mainly in the south of the Shire, along the Murray River in Tocumwal and Barooga. Population growth in the northern towns of Berrigan and Finley will be minor.

Min. No.

Forecast population

Berrigan Shire



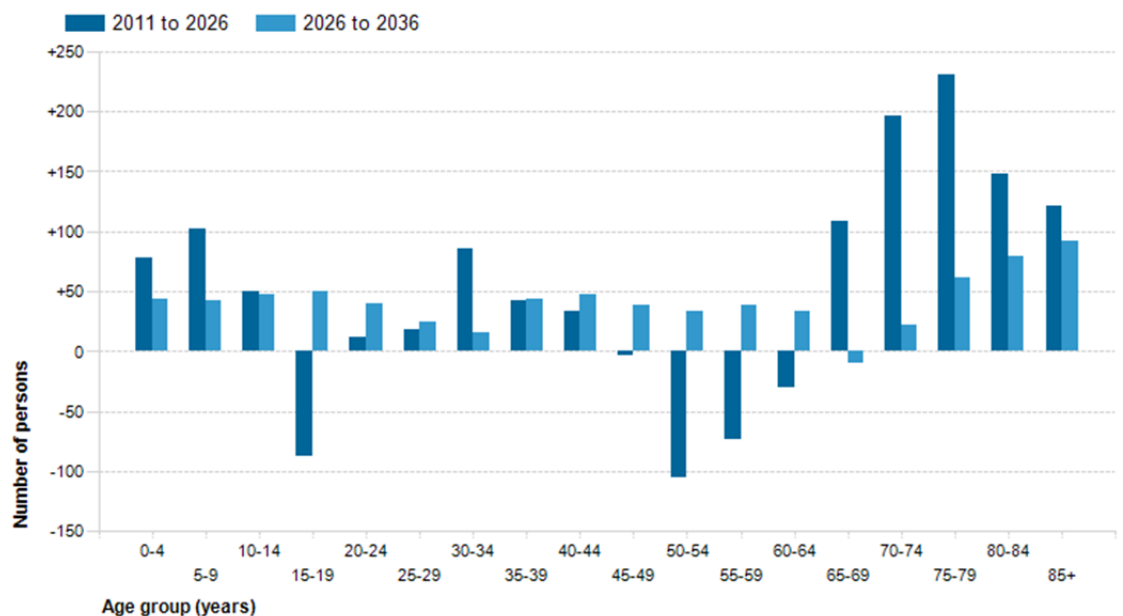
Population and household forecasts, 2011 to 2036, prepared by .id, August 2014.



The population profile of the Shire will be an ageing one with 31.0% of the population aged over 65 in 2026. Consequently, consideration is being given by Council to how the delivery of its current activities and services will be influenced by the needs of an ageing population.

Forecast change in age structure - 5 year age groups

Berrigan Shire - Total persons



Population and household forecasts, 2011 to 2036, prepared by .id the population experts, August 2014.



A Land Demand Plan developed in 2006 identified significant spare infrastructure capacity in the two towns that will see considerable population growth between now and 2026 – Tocumwal and Barooga. As a result, there is not expected to be great demand for new “greenfield” infrastructure. Rather, the focus is expected to be

Min. No.

on maintaining existing infrastructure, identification of surplus community infrastructure, and improvement on the margins. Similarly, there is not expected to be huge demand pressure on most Council-funded services.

On the other hand, there is also unlikely to be a significant increase in the Council's rating and revenue base. The Council has the option to raise additional rates via a special rate variation but should be cognisant of the ability of the community to meet a larger rating burden.

Community Strategic Plan

Berrigan Shire Council has facilitated the development of a Community Strategic Plan – *Berrigan Shire 2023*. The plan adopts the following vision for the shire.

In 2023 we will be recognised as a Shire that builds on and promotes our natural assets and advantages to create employment and economic activity to attract residents, families and tourists.

The aim of this Financial Strategy is to ensure the Council has the financial resources it needs to progress the implementation of Berrigan Shire 2023 objectives and associated Council activities and services.

Council Activities / Services and Berrigan Shire 2023

CSP Strategic Outcome	CSP Strategic Objective	Council Activities and Services
1.Sustainable Natural and Built Landscapes	<p>1.1 Support sustainable use of our natural resources and built landscapes</p> <p>1.2 Retain the diversity and preserve the health of our natural landscapes and wildlife</p> <p>1.3 Connect and protect our communities</p>	<p>Water, sewerage and drainage</p> <p>Local roads and paths</p> <p>Land use planning and development</p>
2. Good Government	<p>2.1 Berrigan Shire 2022 objectives and strategies inform Council planning and community led projects</p> <p>2.2 Ensure effective governance by Council of Council operations and reporting</p> <p>2.3 Strengthen strategic</p>	<p>Council governance, enterprise risk management and business operations</p> <p>Community Planning</p>

Min. No.

	<i>relationships and partnerships with community, business and government</i>	
3. Supported and Engaged Communities	<i>3.1 Create safe, friendly and accessible communities 3.2 Support community engagement through life-long learning, culture and recreation</i>	Libraries and community services Parks and reserves Environmental health Animal Control
4. Diverse and Resilient Business	<i>4.1 Invest in local job creation, retention and innovation 4.2 Strong and diverse local economy 4.3 Diversify and promote local tourism 4.4 Connect local, regional and national road, rail and aviation infrastructure</i>	Business and economic development

These activities and services all require the Council:

- To be financially sustainable
- To cost effectively maintain existing infrastructure service levels and increase them when opportunities arise
- To retain sufficient financial flexibility to undertake new projects and/or activities as desired.

Berrigan Shire 2023 does not indicate any major change in direction or significant new activity for the Council.

Asset planning

The development of this Financial Strategy is also informed by the Council's *Asset Management Strategy*. The *Asset Management Strategy* was adopted by the Council in January 2012 has been reviewed annually by the Council since its adoption. The Council has previously adopted an Asset Management Policy and a series of Asset Management Plans:

- Roads, streets and bridges
- Water
- Sewer
- Urban Stormwater
- Footpaths etc.
- Corporate and Community Assets

Min. No.

The *Asset Management Strategy* has the following aim:
To ensure adequate provision is made for the long-term management and replacement of major technical and physical assets, (including land and property).

In line with this aim, the objectives of the Shire's *Asset Management Strategy* include:

- *Ensuring that Council's services and infrastructure are provided in a sustainable manner, with the appropriate levels of service to residents, visitors and the environment.*
- *Establishing processes that integrate asset management and community strategic planning with Council corporate and long-term financial planning.*
- *Creating an environment where all Council employees take an integral part in overall management of Council assets by creating and sustaining asset management awareness throughout the Council.*
- *Meeting legislative requirements for asset management.*
- *Ensuring resources and operational capabilities are identified and responsibility for asset management is allocated.*
- *Demonstrating transparent and responsible asset management processes that align with demonstrated best practice.*

This review of the Financial Strategy has been undertaken in conjunction with a concurrent review of Council's Asset Management Policy

ASSUMPTIONS AND SCENARIOS

When preparing its Long Term Financial Plan, the Council is obliged to make a series of assumptions about future events that will have an impact on the Council's financial position. These assumptions are based on the analysis of the Council's position shown above.

These assumptions are as follows

- Inflation, as measured by the Local Government Cost Index will average 2.5% per annum
- Wages growth will average 2.5% per annum, after the expiration of the current mandated award wage rate increases.
- Staffing levels will remain static
- The rate peg will increase by the rate of inflation as measured by the Local Government Cost Index

Min. No.

- The number of rateable properties will remain static
- User charges and other fees and charges will increase by the rate of inflation, as will operating grants and contributions.
- Financial Assistance Grant will increase by the rate of inflation as measured by the Local Government Cost Index
- Roads to Recovery (or an analogous program) will continue until 2026
- Investment returns will average around 3% per annum.

WHAT IS OUR FINANCIAL DIRECTION?

The medium to long term financial outcomes to be achieved by this strategy are:

1. Financial sustainability

Berrigan Shire will be financially sustainable if its infrastructure capital and its financial capital are able to be maintained over the long term.

A financially sustainable Berrigan Shire will be able to manage likely developments and unexpected financial shocks in future periods without having at some time to introduce economically significant or socially destabilising income or expenditure adjustments.

Financial sustainability is determined by comparing the Council's long-term financial capacity with its long-term financial requirements.

- **Financial capacity** is the sum total of the financial resources (operating and capital) that a Council can mobilise through its (present and prospective) revenue-raising and financing policies.
- **Financial requirements** is the sum total of the spending (operating and capital) that is necessary to meet the Council's present obligations and expected future functions, pressures and shocks.

Maintaining Berrigan Shire's financial capital will require the Council to return to a position where it is making operating surpluses before capital grants and contributions. Achieving an operating breakeven position or better on average over time is likely to generate sufficient funds to enable renewal or replacement of the Council's existing assets

2. Sufficient financial capacity and freedom to undertake new projects and activities if desired.

Min. No.

As community expectations, wants and needs change Berrigan Shire Council needs to retain sufficient financial capacity and flexibility to ensure that it can cater for those changes.

As listed above, the Council's financial capacity is the sum total of the financial resources that a Council can mobilise through its revenue-raising and financing policies. As well as obvious items such as rates and charges, grants and fees, this includes:

- Cash reserves
- Borrowing capacity
- Discretionary funds (i.e. funds not committed to other specific projects and activities)

In simple terms retaining financial capacity is about ensuring the Council has the ability to access funds as it requires. This means limiting its commitments to new activities with on-going costs, minimising the costs of servicing debt and putting aside funds for future projects

3. Cost effective maintenance – and improvement where possible – of service level standards for infrastructure assets.

One of local government's roles is to provide facilities and services to communities that cannot be or are not provided by the private or for-profit sector. In the case of local government, these services are largely physical infrastructure-based services and facilities such as:

- transportation (roads, footpaths etc.);
- public health (water, sewer, waste management, cemeteries, drainage etc.);
- recreational (pools, parks, sporting fields);
- cultural (buildings etc.).

Maintaining the level of service for infrastructure-based services such as the above requires the Council to maintain its physical productive capacity – that is “Is the Council's infrastructure – in an overall sense – in a position to deliver the same level of service at the end of the period as it was at the beginning of the period.”

As a general rule, the level of service supplied by infrastructure assets is a function of their age – provided that the assets are maintained in a reasonable fashion. Therefore, a systematic

Min. No.

replacement and renewal program for these assets is the key to ensuring service level standards are maintained.

HOW ARE WE GOING TO GET THERE?

Actions

To achieve its financial objectives, Berrigan Shire Council has identified a range of specific actions and activities aligned with Berrigan Shire 2023. These will be used in the preparation of the Council's Long Term Financial Plan

Berrigan Shire 2022 and Financial Strategy Actions
2. Good Government
<i>2.2 Ensure effective governance by Council of Council operations and reporting</i>
2.2.2 Council operations support ethical, transparent and accountable corporate governance

Financial Strategy Objectives	Actions
1. Financial sustainability	<p>1.1 Prepare and review annually a Long Term Financial Plan with the aim of achieving the financial objectives identified in this strategy.</p> <p>Using a ten year financial planning horizon allows the Council to take into account the longer term consequences of current decision making. It also allows for consideration of short term fluctuations etc.</p> <p>A minimum 10 year Long Term Financial Plan is a component of the Council's resourcing strategy, a core requirement of the new Integrated Planning and Reporting Model</p>
	<p>1.2 Prepare Capital Expenditure Reviews, including an assessment of lifecycle costs, for all new and/or upgraded infrastructure assets – with the exception of upgrades of roads, water mains and sewer mains.</p> <p>When making decisions regarding new and upgraded infrastructure it is important that the costs of operating, maintaining and replacing that infrastructure is taken into account. A sustainable Council only takes on obligations that it can afford to meet</p>

Min. No.

Financial Strategy Objectives	Actions
	<p>1.3 Resist the pressure to fund services that are the responsibility of other levels of government.</p> <p>While cost-shifting is often inevitable, the Council will resist this where possible and certainly will not look to take on obligations properly belonging to other levels of government without a corresponding funding stream.</p>
	<p>The Council's response to inadequate service delivery from other levels of government will not be to take on these obligations itself but to act as an advocate for the community to the NSW and Federal governments.</p>
<p>1. Financial sustainability cont</p>	<p>1.4 Retain control of urban water supply and sewer services.</p> <p>The Council will continue to resist plans to remove control of its urban water supply and sewer services. Berrigan Shire Council runs these services in an efficient and effective manner.</p> <p>These services share the cost of running the Council's governance, corporate and financial services. Losing these services will significantly financially disadvantage Berrigan Shire Council with little if any benefit to the local community.</p> <p>1.5 Recognise that funding for renewal and upgrading of sport, recreation and cultural infrastructure requires a combination of Council funding and community support and preferably some contribution from other levels of government.</p> <p>Berrigan Shire Council does not have the capacity to fund the replacement and upgrade of this recreational, sporting and cultural infrastructure (Recreation Reserves, Community Halls, etc.) without support from the community and ideally other levels of government.</p> <p>Without funding assistance from the community and/or other levels of government, the Council cannot responsibly consider upgrade and replacement of these assets</p>

Min. No.

Financial Strategy Objectives	Actions
	<p>1.6 Seek methods of achieving a return (or at least minimise ratepayer subsidy) on business activities such as the Finley Saleyards, Tocumwal Caravan Park and Tocumwal Aerodrome. Subsidies to programs such as the private operation of the Tocumwal Visitor Information Centre should also be reviewed regularly.</p> <p>Berrigan Shire Council has made significant progress over the past ten years in limiting its exposure to loss-making commercial enterprises. The Finley Saleyards, the Tocumwal Caravan Park and the Berrigan Caravan park have all been leased to private operators to run on a commercial basis and this has markedly improved the Council's financial position.</p> <p>The Council has also identified strategies to ease the financial burden of the Tocumwal Aerodrome – including the establishment of a sinking fund for runway maintenance and the development of the Tocumwal Residential Airpark.</p> <p>The Council has also placed the Tocumwal Visitor Information Centre on a more sustainable financial footing through a partnership with a private operator.</p> <p>1.7 Encourage and support the existing model of community provision and operation of sport, recreation and cultural infrastructure.</p> <p>Berrigan Shire Council relies on a volunteer-driven model to provide services such as sporting fields, public swimming pools and community halls.</p> <p>Without the in-kind support of these volunteers, the community would be required to choose between service level reductions or rate increases.</p> <p>Cultural change and increasing regulatory burdens have seen this volunteer model come under some stress in recent years. The Council will conduct a range of activities to support, retain and attract volunteers to assist in supplying these services.</p>
1. Financial	1.8 Actively lobby the State and Federal

Min. No.

Financial Strategy Objectives	Actions
sustainability cont	<p>Governments to retain existing grant funding levels for road maintenance and upgrades.</p> <p>Without the retention of existing levels of RTA and R2R funding, the Council cannot continue to maintain its existing road service levels.</p>
2. Cost effective maintenance of infrastructure service levels	<p>2.1 Prepare and review its Asset Management Strategy and its Asset Management Plans for the Council's major infrastructure assets annually as part of annual budget preparation.</p> <p>The Council reviews its Asset Management Strategy annually and has prepared Asset Management Plans for all its major classes of assets.</p> <p>The Council's major expenditure items relate to replacement and upgrading of its infrastructure assets. It is important that the Council continues to review its asset plans and strategies as circumstances change.</p> <p>2.2 Prioritise the renewal of existing assets over the development and delivery of new assets and services.</p> <p>A sustainable Council ensures it can fund its existing range of services before taking on new obligations. The challenge is to be able to manage community expectations on sustainable service levels</p>
	<p>2.3 Implement a Borrowing Policy that allows the Council to borrow only for the development of infrastructure where</p> <ul style="list-style-type: none"> a) There is an urgent need for the asset in the short term, or b) It is most cost-effective to construct the asset in the short term (as opposed to waiting until sufficient on-hand funds are available), and c) The Council has access to a funding stream to meet its debt obligations without compromising its other activities. <p>This has been traditionally the Council's preference and adoption of a policy will formalise this process.</p>

Min. No.

Financial Strategy Objectives	Actions
	<p>In effect, this will mean that borrowing will be largely be restricted to functions such as urban water supply, sewer and waste management where the Council retains some control over its future revenues. It may also be an appropriate funding tool for land development in limited circumstances.</p> <p>The policy will still allow for the possibility of borrowing for other services where borrowing is identified as the cheaper whole-of-life funding option or immediate construction allows the Council to access an opportunity that would otherwise be missed. Interest subsidies may influence any decision to borrow.</p> <p>The Council now has the opportunity to cheaper finance via NSW Treasury Corporation which may make borrowing a more attractive option in the future.</p> <p>Finally, if community support can be demonstrated, the policy borrowing for the replacement of recreational, sporting and community assets where it can be tied to additional funding from a Special Rates Variation.</p>
<p>3. Financial capacity and freedom</p>	<p>3.1 Formalise the Council's existing preference to put money aside for future capital works, rather than borrow.</p> <p>Saving for new infrastructure rather than borrowing has been the Council's traditional preference. It minimises the burden placed on future generations and allows the Council to retain some financial capacity and flexibility.</p> <p>For a Council with moderate population and revenue growth such as Berrigan Shire, there is unlikely to be immediate pressure to construct new or upgraded assets in a time frame that does not allow for the required funds to be put aside.</p> <p>Interest subsidy schemes such as the Local Infrastructure Renewal Scheme (LIRS) and access to finance via NSW Treasury Corporation will make borrowing for renewal of community infrastructure a</p>

Min. No.

Financial Strategy Objectives	Actions
	<p>viable option.</p> <p>3.2 Maintain the existing Investment Policy settings prioritising preservation of capital over investment return.</p> <p>Chasing revenue growth from investments necessarily adds to the risk levels borne by the Council. Berrigan Shire Council has historically sought to avoid investment risk through the use of relatively safe investment products such as Term Deposits and through a diverse investment portfolio.</p> <p>Again, access to NSW Treasury Corporation products may allow the Council to access higher-yield investments for long-term cash reserves</p>
	<p>3.3 Retire existing debt in line with existing loan repayment schedules. Once paid, quarantine the repayment stream freed up to fund future capital renewal projects or specifically identified programs.</p> <p>Retirement of existing debt frees up additional funds to spend on other services. However, it is important that these newly freed-up funds continue to be allocated to the replacement or upgrade of infrastructure and not lost in the pool of recurrent funding. This could include funding the repayment of new loans to fund infrastructure renewal in line with Objective 2.3.</p> <p>Identifying funding streams for future replacement of assets is good financial discipline and assists the Council's sustainability and financial flexibility.</p>
<p>3. Financial capacity and freedom cont</p>	<p>3.4 Continue to actively recover outstanding rates debt as identified in the Council's Revenue Policy.</p> <p>The Council has an active and successful debt recovery process and this will continue. This assists the Council to maintain an adequate level of working capital.</p> <p>3.5 Set utility charges for water supply, sewer and waste management services at a level that</p>

Min. No.

Financial Strategy Objectives	Actions
	<p>delivers a return on those assets sufficient to ensure long term sustainability.</p> <p>The Council is unlikely to be eligible for funding assistance for replacement or upgrade of its assets for these services and will need to generate sufficient funds from its own sources to do so. Making a return on these assets will generate sufficient funds to ensure the sustainability of these services.</p> <p>A necessary corollary of this action is that revenues generated from these assets should be reasonably predictable. This means targets such as raising at least 50% of its water revenue from variable user charges may not always be appropriate.</p> <p>3.6 Consider seeking a Special Rates Variation where there is a clearly identified demand for new or significantly improved service levels.</p> <p>While Berrigan Shire Council's preferred approach will be to live within its means where possible, it is of course required to respond to community demand.</p> <p>Where the community has clearly identified that is willing to pay for increased levels of service, the Council will consider applying for a Special Rate Variation to fund this. This will only occur after considering and exhausting all other actions as identified above.</p>

HOW WILL WE KNOW IF WE ARE ON COURSE?

Berrigan Shire Council will measure its progress against its three desired outcomes by tracking performance against a set of key performance measures. The Australian Local Government Planning Ministers Council's National Financial Sustainability Frameworks defined performance measures as "signals used to convey the directions being taken by the Council and to assess whether or not desired outcomes are being achieved.

Effective performance indicators:

- Measure those factors which define financial sustainability
- Are relatively few in number
- Are based on information that is readily available and reliable.

Min. No.

Performance measures cannot and should not try and measure everything but rather should be pitched at a reasonably high level. They should be used as a guide as to where to look for reasons behind any differences and trends and to identify specific areas for further analysis.

The Council has chosen to base its performance measures on data that can be found in its Annual Financial Statements. While this is necessarily a “broad-bush” approach, it has the advantages of not requiring the additional work and expense involved in data-gathering and analysis. Data from the Annual Financial Statements is transparent, audited and reasonably consistent from Council to Council.

The measures below have been selected as ones common across local government.

- Operating Performance Ratio
- Unrestricted Current Ratio
- Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage
- Building, Infrastructure & Other Structures Renewals Ratio
- Infrastructure Backlog Ratio
- Capital Expenditure Ratio
- Debt Service Cover Ratio
- Cash Expense Cover Ratio

The Council will need to determine which of these measures (or other measures not listed here) will be adopted to track progress against the objectives of this strategy.

Min. No.

Financial Strategy Objectives	Possible Indicators
1. Financial sustainability	Operating Performance Ratio Unrestricted Current Ratio Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage
2. Cost effective maintenance of infrastructure service levels	Building, Infrastructure & Other Structures Renewals Ratio Infrastructure Backlog Ratio Capital Expenditure Ratio
3. Financial capacity and freedom	Debt Service Cover Ratio Cash Expense Cover Ratio

- See Appendix for description of indicator and indicative targets

APPENDIX

Indicator	Description	Comment	Calculation (\$M)	Indicative Target
Operating Performance Ratio	The percentage by which income (excluding capital grants) varies from expenses	The operating performance ratio is the operating surplus (or deficit) before capital grants expressed as a percentage of total expenses	Operating surplus/deficit divided by operating expenditure. <u>2014/15 actual</u> Operating surplus = \$1.4 M Operating expenses = \$19.3 M Operating Surplus Ratio = [1.4/ 19.3] = 7%	An operating performance ratio greater than 0% across any five year period

Min. No.

Indicator	Description	Comment	Calculation (\$M)	Indicative Target
	What does it mean?	<p>A positive value indicates the Council is meeting its operating expenses, including depreciation.</p> <p>A negative value indicates the Council needs to reduce its expenses or raise additional revenue to be sustainable in the long term.</p>		
Unrestricted Current Ratio	The ratio between current assets and current liabilities – not including those assets and liabilities held for a specific purpose	This measure is the Council's current assets (i.e. liquid assets) expressed as a ratio of its current liabilities (i.e. short term debts) –	<p>Current assets (less all external restrictions.) divided by current expenses</p> <p><u>2014/15 actual</u> Current Assets = 10.0 M Operating expenses = 2.4 M</p> <p>Operating Surplus = 4.2x</p>	An Unrestricted Current Ratio of at least 2x
	What does it mean?	<p>If the Council is not maintaining its current assets at the at least the level of its current assets it may not be able to pay its debts and other obligations as and when they fall due.</p> <p>It means that the Council's obligations over the next 12 months exceed the funds available to pay them as they fall due. If the Council's current liabilities exceed its current assets and the Long Term Financial Plan does not provide a proposal to turn this around, it is inevitable that the Council will face a cash flow crisis in the future.</p> <p>The position would come to a head when a major obligation was required to be paid and the Council would be required to borrow to meet this obligation – increasing its debt and reducing its financial flexibility.</p>		
Rates, Annual	What rates,	Indicates the	Rates, annual and extra	Outstanding rates, annual and extra

Min. No.

Indicator	Description	Comment	Calculation (\$M)	Indicative Target
Charges, Interest and Extra Charges Outstanding Percentage	annual charges are owing to the Council as a proportion of its total rates and annual charges revenue .	amount of rates and changes outstanding as a percentage of total rates and charges .	charges outstanding divided by rates, annual and extra charges, expressed as a percentage <u>2014/15 actual</u> Rates, annual and extra charges outstanding = \$0.41 M Rates, annual and extra charges = \$9.36 M Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage = 4.4 %	charges percentage to remain under 8% as 30 June each year
	What does it mean?	This indicator identifies how well the Council collects its outstanding rates, annual and extra charges A result of greater than 8% per year – if unchecked – would lead to Council facing potential cash flow problems in the future due to a lack of working capital.		
Building, Infrastructure & Other Structures Renewals Ratio	The amount spent on asset renewal	Indicates the extent to which Council is renewing its asset	Asset renewals on buildings, infrastructure and other structures	Building, Infrastructure & Other Structures Renewals Ratio to remain over 100% on average over life

Min. No.

Indicator	Description	Comment	Calculation (\$M)	Indicative Target
	<p>s expressed as a percentage of depreciation and impairment.</p>	<p>base</p>	<p>divided by depreciation, amortisation and impairment expressed as a percentage</p> <p><u>2014/15 actual</u> Asset renewals on buildings, infrastructure and other structures = \$5.65 M depreciation, amortisation and impairment = 5.18M</p> <p>Building, Infrastructure & Other Structures Renewals Ratio = 109.2%</p>	<p>of the LTFP.</p> <p>When setting this target, the Council should consider that asset replacement is often lumpy – with large changes in asset renewals depending on the needs of the time</p> <p>The Council should consider its performance on this measure over no shorter than a 10 year period and preferably longer.</p>
	<p>What does it mean?</p>	<p>It is possible for the Council to save money by not renewing its assets as they deteriorate over time. This indicator attempts to measure if the Council is renewing its assets at an adequate rate.</p> <p>A measure below 100% indicates that the Council's asset base is depreciating faster than the Council is able to renew it.</p> <p>If this continues over time, the Council's assets will eventually become unsuited for purpose, adding to its infrastructure backlog and creating severe financial pressure for future generations.</p>		
<p>Infrastructure</p>	<p>The cost to bring</p>	<p>An overall indicator</p>	<p>Estimated cost to bring</p>	<p>Infrastructure Backlog Ratio to</p>

Min. No.

Indicator	Description	Comment	Calculation (\$M)	Indicative Target
Backlog Ratio	the Council's assets to a satisfactory condition as a proportion of its overall assets.	the standard of the Council's assets . Provides a measure of the amount of work that is required to bring its assets to an acceptable standard	Assets to a Satisfactory Condition divided by the total Value of Infrastructure, Building, Other Structures and depreciable Land Improvement assets, expressed as a percentage <u>2014/15 actual</u> Estimated cost to bring Assets to a Satisfactory Condition = \$NIL Total Value of Infrastructure, Building, Other Structures and depreciable Land Improvement assets = \$198 M Interest Cover Ratio = -0%	remain at less than 2% at all times
	What does it mean?	This indicator is a general guide to the condition of the Council assets. This indicator tends to reflect the Council's performance against the Building, Infrastructure & Other Structures Renewals Ratio over time, If that ratio is consistently under 100%, the		

Min. No.

Indicator	Description	Comment	Calculation (\$M)	Indicative Target
		<p>Infrastructure Backlog Ratio will increase. Conversely, reducing the Infrastructure Backlog Ratio tends to require maintaining the Building, Infrastructure & Other Structures Renewals Ratio at greater than 100% over time</p> <p>If this ratio is over 2% and growing, it indicates that the Council needs to either put more effort into renewing its assets (perhaps requiring rate increases to fund) or reconsider what standard of asset the community feels is acceptable</p>		
Capital Expenditure Ratio	<p>The ratio of expenditure on capital assets and annual depreciation.</p>	<p>Indicates whether the Council is replacing or renewing non-financial assets at the same rate that its overall stock of assets is wearing out for the period</p>	<p>Capital expenditure divided by annual depreciation expense.</p> <p><u>2014/151 actual</u> Capital expenditure = \$5.3 M Depreciation expense = \$5.7 M</p> <p>Capital Expenditure Ratio = 0.92</p>	<p>Target to be set having regard to the relative age and replacement/renewal profile of the Council's asset portfolio. On average should be at least 100% provided Council wishes to maintain level of service</p>
	<p>What does it mean?</p>	<p>If capital expenditure on renewing or replacing existing assets is at least equal to depreciation on average over time then the Council is ensuring the value of its existing stock of its physical assets is maintained</p> <p>This ratio will vary, often by significant amounts, as the Council's asset replacement program is unrolled over time.</p>		
Debt Service Cover Ratio	<p>The amount of operating cash available</p>	<p>Measures the availability of operating cash to</p>	<p>Operating result before capital excluding interest and depreciation,</p>	<p>Debt service ratio is greater than 2.00 x</p>

Min. No.

Indicator	Description	Comment	Calculation (\$M)	Indicative Target
	<p>expressed as a proportion of its debt repayment obligations</p>	<p>service debt including interest, principal and lease payments</p>	<p>impairment divided by principal repayments and borrowing costs</p> <p><u>2014/15 actual</u></p> <p>Operating result before capital excluding interest and depreciation, impairment = \$7,2 M principal repayments and borrowing costs = \$0.229 M</p> <p>Debt Service Cover Ratio = 31.31 x</p>	
	<p>What does it mean?</p>	<p>This ratio seeks to highlight if the Council is generating sufficient cash to meet its debt obligations</p> <p>A ratio of less than 2.00 x, unless addressed, may see the Council struggle to raise sufficient cash to pay its debt obligations without selling realisable assets.</p> <p>The Council currently has a low level of indebtedness and its Long Term Financial Strategy does not seek to change this.</p>		
<p>Cash Expense Cover Ratio</p>	<p>How many months work of operation</p>	<p>Measures the number of months a Council</p>	<p>Cash and Cash Equivalents and Term Deposits</p>	<p>Cash Expense Cover Ratio is to be no less than three months</p>

Min. No.

Indicator	Description	Comment	Calculation (\$M)	Indicative Target
	<p>g expenses can the Council meet with its existing holdings of cash</p>	<p>can continue paying for its immediate expenses without additional cash inflow</p>	<p>divided by payments from cash flow of operating and financing activities x 12</p> <p><u>2014/15</u> <u>actual</u></p> <p>Cash and Cash Equivalents and Term Deposits = \$21.3 M Payments from cash flow of operating and financing activities = \$1.07 M</p> <p>Cash Expense Cover Ratio = 20 months</p>	
	<p>What does it mean?</p>	<p>This ratio seeks to highlight the Council's ability to meet a short term revenue and/or cash flow shock and continue to operate.</p> <p>A ratio of less than three months could see the Council struggling to meet expenses on a periodic basis without having to borrow. Rates instalments and Financial Assistance Grants tend to be paid in three-monthly cycles.</p>		

Min. No.

8.2 MINUTES OF A TECHNICAL SERVICES COMMITTEE MEETING HELD ON WEDNESDAY 4th MAY, 2016

- 117 RESOLVED** Crs: Hill and Morris that recommendation number 1 of the Technical Services Committee Meeting held on 4th May, 2015 be adopted.

5. ASSET MANAGEMENT POLICY

AUTHOR: Director Technical Services

STRATEGIC OUTCOME: Good government

STRATEGIC OBJECTIVE: 2.2 Ensure effective governance by Council of Council operations and reporting

FILE NO:

RECOMMENDATION NO. 1 - that the Council adopt the updated Asset Management Policy as shown below:

70 ASSET MANAGEMENT POLICY

Strategic Outcome: Good government

Date of Adoption: 18/05/2016

Date for Review: 18/05/2019

Responsible Officer: Director Technical Services

1.0 Purpose

To set guidelines for implementing consistent asset management processes throughout Berrigan Shire Council.

2.0 Objective

To ensure adequate provision is made for the long-term management and replacement of major technical and physical assets, (including land and property) by:

- Ensuring that Council's services and infrastructure are provided in a sustainable manner, with the appropriate levels of service to residents, visitors and the environment.
- Establishing processes that integrate asset management and community strategic planning with Council corporate and long-term financial planning.

Min. No.

- Creating an environment where all Council employees take an integral part in overall management of Council assets by creating and sustaining asset management awareness throughout the Council.
- Meeting legislative requirements for asset management.
- Ensuring resources and operational capabilities are identified and responsibility for asset management is allocated.
- Demonstrating transparent and responsible asset management processes that align with demonstrated best practice.

3.0 Scope

This policy applies to all Council activities.

4.0 Policy

4.1 Background

4.1.1 Council is committed to implementing a systematic core approach to asset management. The elements of this approach prescribed in the *International Infrastructure Manual* include:

- Best available information and random condition/performance sampling
- A simple risk assessment to identify critical assets
- Longterm cashflow predictions for asset maintenance, rehabilitation and replacement, based on local knowledge of assets and options for meeting current levels of service.
- Improvement and transition over time, within Council resources, toward the development of advanced asset management plans.

4.1.2 Advance asset management plans are characterised by:

- Systematic monitoring and analysis of the physical condition of all assets
- The integration of asset management with corporate risk management processes
- Adoption by Council of levels of service developed after consultation with the community and with explicit links to the Community Strategic Plan and Council's Resourcing Strategy
- An improvement program that includes performance indicators that report upon:
 - Environmental sustainability of the assets performance;
 - Utilisation rates;
 - Social and economic value i.e.: return on investment
 - Effectiveness of Improvements.

Min. No.

4.1.3 Council owns and uses approximately \$214,931,000 of non-current assets to support its core business of delivery of service to the community.

4.1.4 Asset management practices impact directly on the core business of Council and appropriate asset management is required to achieve Council's 4 year Corporate Plan / Delivery Program and Community Strategic Plan objectives

4.1.4 A strategic approach to asset management will ensure that the Council delivers the highest appropriate level of service through its assets. This will provide positive impact on;

- Members of the public and staff;
- Council's financial position;
- The ability of Council to deliver the expected level of service and infrastructure;
- The political environment in which Council operates; and
- The legal liabilities of Council.

4.2 Principles

4.2.1 A consistent Asset Management Strategy must exist for implementing systematic asset management and appropriate asset management best-practice throughout all Departments of Council.

4.2.2 All relevant legislative requirements together with political, social and economic environments are to be taken into account in asset management.

4.2.3 Asset management and risk management principles will be integrated within existing planning and operational processes.

4.2.4 An inspection regime will be used as part of asset management to ensure agreed service levels are maintained and to identify asset renewal priorities.

4.2.5 Asset renewals required to meet agreed service levels and identified in infrastructure and asset management plans and long term financial plans will, within the reasonable limits of Council's available budget, be funded in the annual budget estimates

4.2.6 Systematic and cyclic reviews will be applied to all asset classes to ensure that the assets continue to support Council strategic planning and operations.

4.2.7 Systematic and cyclic reviews will be applied to all asset classes to ensure that the assets are managed, valued and

Min. No.

depreciated in accordance with appropriate best practice and applicable Australian Standards.

4.2.8 Future life cycle costs will be reported and considered in all decisions relating to new services and assets, and or upgrading and re-development of existing services and assets.

4.2.9 Future service levels, asset rehabilitation and disposal, as part of a transition to advanced asset management planning, will be determined in consultation with the community.

5.0 Legislation

Local Government Act 1993.
Regulations under the Act.

MAYORS REPORT

Cr. Curtin reported that he had attended the following during the period:

- Environment and Business Awards
- Street stall meeting – Finley War Memorial hall
- Opened Health Forum, Berrigan
- Public Meeting at Finley – War Memorial Hall
- RAMROC meeting, Jerilderie
- Presentation of Golf Trophies, Tocumwal
- Barooga cemetery inspection
- Finley War Memorial Hall discussion
- ANZAC Day, Berrigan

118 RESOLVED Crs: Morris and Jones that the Mayors report be received.

DELEGATES REPORTS

Cr Hill

- Business and Environment Awards
- Finley Showgrounds Committee of Management meeting
- Finley War Memorial Hall Street Stall
- Homes Out West meet and greet
- Finley War Memorial Hall public meeting
- Finley Recreation Reserve Committee of Management meeting

Min. No.

Cr O'Neill

- Business and Environment Awards
- ANZAC Day
- Berrigan and District Development Association meeting
- Finley Women's Football game
- Finley War Memorial Hall meeting

Cr Morris

- Business and Environment awards
- Finley War Memorial Hall public meeting
- Local Health Advisory Council meeting
- Finley Chamber of Commerce and Agriculture Annual General Meeting

Cr Hannan

- Business and Environment Awards
- Homes Out West – invite to future meeting
- Finley War Memorial Hall meeting
- Finley Recreation Reserve meeting
- Finley War Memorial Hall street stall

Cr Jones

- Business and Environment Awards
- Finley War Memorial Hall meeting
- Finley War Memorial Hall street stall meeting
- Homes Out West meeting
- International Children' Games trivia night

Cr Bruce

- Business and Environment Awards
- ANZAC Day
- Barooga Advancement Group
- Finley War Memorial Hall street stall meeting
- Finley War Memorial Hall public meeting
- Barooga cemetery

GENERAL BUSINESS

Cr Bruce

- Barooga Advancement Group – Australia Day meeting
- Barooga Hall grant
- Business and Environment Awards improvements

Cr Jones

- Central Murray County Council? future
-

Min. No.

Cr Hannan

- Finley War Memorial Hall

Cr Morris

- elections

Cr O'Neill

- Town entry consultation
- Berrigan Conservation & tidy Towns group Community garden
- Chamber President's minutes
- Berrigan drainage progress
- Riverina Murray regional plan
- Early Intervention service

Cr Hill

- Electricity Finley Showgrounds

Cr Curtin

- Hospital meeting – domestic violence – stickers OK
- Lands Department – Development Application issues

Cr Bruce

- National Parks and Wildlife Service – unpaid garbage contractor

Development Manager

- Department of Planning – seminar on change to Planning and Environment Act
- Office Environment & Heritage – workshop – new biodiversity changes
- Primitive camping ground

Director Technical Services

- nil

Director Corporate Services

- Electricity tender
- Tocumwal skatepark

General Manager

- Boatrock
- Murray Border Flying club agreement
- Firearm licence

There being no further business the meeting closed at 12.07 pm.

Min. No.

There being no further business the meeting closed at 12.07 pm.

